ANNUAL

ANNUAL REPORT 2009

FECTO

A NAME OF FAITH

Fecto Cement Limited

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	**CHAIRMAN** Mr. Mohammed Asad Fecto **CHIEF EXECUTIVE** Mr. Mohammed Yasin Fecto **DIRECTORS** Mrs. Zubeda Bai Mr. Mohammed Ilyas Khan Mr. Muhammad Umer Memon Mr. Mohammad Shakeel Arif Mr. Aamir Ghani Mr. Khalid Yacoob Mr. Muhammad Hussain {Nominee of Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd.}
AUDIT COMMITTEE	Mr. Mohammed Asad Fecto - **Chairman** Mr. Mohammed Ilyas Khan - **Member** Mr. Muhammad Umer Memon - **Member**
SECRETARY	Mr. Abdul Samad, FCA
AUDITORS	KPMG Taseer Hadi & Co. Chartered Accountants Rahman Sarfaraz Rahim Iqbal Rafiq 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.laksol.com/fecto
FACTORY	Sangjani, Islamabad
MARKETING OFFICE	2nd Floor, Majeed Plaza Bank Road, Saddar Rawalpindi
SHARE REGISTRAR	Technology Trade (Private) Limited 241-C, Block 2, P.E.C.H.S. Karachi

MISSION STATEMENT

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

VISION STATEMENT

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

CORPORATE STRATEGY

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th 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 Thursday, October 29, 2009 at 07.00 p.m. to transact the following business:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2009 together with the Directors' and Auditors' Reports thereon.

2. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration. Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants and M/s. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants will retire on the conclusion of ensuing Annual General Meeting. M/s. KPMG Taseer Hadi & Co., Chartered Accountants have offered themselves for the re-appointment however M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have not offered themselves for re-appointment. Hence Audit committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the company for the year ending June 30, 2010.

3. To elect eight directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a period of three Years commencing November 01, 2009.

   The number of elected directors fixed by the Board of Directors under Section 178 of the Companies Ordinance, 1984 are eight.

   The following are retiring Directors:

Mrs. Zubaida Bai	Mr. Mohammad Yasin Fecto
Mr. Mohammad Asad Fecto	Mr. Mohammad Ilyas Khan
Mr. Mohammad Umar Memon	Mr. Mohammad Shakeel Arif
Mr. Aamir Ghani	Mr. Khalid Yacoob

Special Business

4. To consider and if thought fit, to increase the authorized share capital of the company to Rs. 750,000,000/- by creation of 25,000,000 new ordinary shares of Rs. 10/- each and in that connection to pass the following resolution(s) with or without modification as and by way of a special resolution(s), namely:

   "RESOLVED THAT the authorized share capital of the Company be and is hereby increased to Rs. 750,000,000 (Rupees Seven Hindered Fifty Million Only) by creation of 25,000,000 ordinary shares of Rs. 10/- each and that accordingly:

   (a) Clause V of the Memorandum of Association of the company be and is hereby substituted by the following new clause "The capital of the company is Rupees 750,000,000 (Rupees Seven Hundred Fifty million) divided into 75,000,000 shares of Rs. 10/- each of the classification and with the rights and privileges attaching thereto as are or may be provided by the Regulations of the company for the time being. The Company shall have power to increase or reduce the capital and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Regulations of the Company and to vary to classifications and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower denomination".

   (b) Article 4 of the Articles of Association of the Company be and is hereby substituted by the following new article 4 namely "The share capital of the Company is Rs. 750,000,000 (Rupees Seven Hundred Fifty million) divided into 75,000,000 ordinary shares of Rs. 10/- each".

Resolved that new shares shall carry equal voting rights and rank pari passu with the existing shares in all matters in accordance with the provisions of the Companies Ordinance, 1984.

Further Resolved that Chief Executive of the company or any one of the Directors or the Company Secretary be and are hereby authorized to complete all legal formalities in connection with amendments made in the Memorandum and Articles of Association of the Company.

5. To approve the issue of bonus shares in the ratio of one (01) bonus share for every ten (10) ordinary shares (10%) held by the shareholders as recommended by the Board of Directors. To give effect to the above, the Directors have recommended to consider and if thought fit, pass with or without modification the following resolution as an ordinary resolution:-

"RESOLVED THAT a sum of Rs 45,600,000 (Rupees Forty Five Million Six Hundred Thousand Only) be capitalized out of the unappropriated profit of the company and applied towards the issue of 4,560,000 ordinary shares of Rs 10/- each as fully paid bonus shares to be allotted to the shareholders in proportion of one (01) share for every ten (10) existing ordinary shares held by the members of the company who are registered on the books of the company on October 20, 2009 and that, after allotment, such new shares shall rank pari passu in all respect with the existing ordinary shares of the company".

Fraction shares to be allotted as a result of distribution of Bonus Shares be consolidated with the company Secretary for sale in the open market in due course and proceeds be distributed among eligible members.

For the purpose of giving affect to the foregoing, the Chief Executive or any one of the Directors or the Company Secretary be and are hereby authorized to take all necessary actions under the law and to settle any questions or difficulties that may arise in the distribution of the said Bonus Share or in the disposal of fractions and payment of proceeds thereof."

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

By Order of the Board

(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 17, 2009

Notes:

1. The Share Transfer Books of the Company will remain closed from Wednesday, October 21, 2009 to Thursday, October 29, 2009 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Tuesday October 20, 2009 will be considered in time for the entitlement of transferee.
2. Any member who seeks to contest the election of directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his/her intention to offer himself/herself for the election of directors in terms of section 178(3) of the Companies Ordinance, 1984 together with consent in form 28, and declarations as required under clause (ii) to (v) of the Code of Corporate Governance.
3. A member of the Company entitled to attend and vote at this meeting may appoint another member as a proxy to attend, speak and vote instead of him/her. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time of holding the Meeting. The proxy shall produce his/her original Computerized National Identity Card or passport to prove his/her identity.

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

5. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws.

6. CDC Account Holders will have to further follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Statement under section 160 of the Companies Ordinance, 1984

The Following statement under section 160 of the Companies Ordinance, 1984 is made regarding the Special Business to be conducted at the Twenty Eighth Annual General Meeting of the company to be held on October 29, 2009.

Item 4 of the agenda

The present authorized Share Capital of the Company Rs. 500,000,000 (Rupees Five hundred million only) divided in to 50,000,000 (Fifty million) ordinary shares of Rs. 10/- each and the paid-up share capital of the Company is Rs. 456,000,000/-(Rupees Four hundred fifty six million only) divided into 45,600,000 ordinary shares of Rs. 10/- each. The authorized share capital of the Company is being increased to enable the Company to issue Bonus shares to the existing shareholders as recomended by the Board of Directors in its meeting held on September 17, 2009 after complying with the statutory requirements of the Companies Ordinance 1984.

DIRECTORS' REPORT TO THE MEMBERS

Dear Members

The Board of Directors has pleasure in presenting the annual report together with Audited Financial Statements of the Company for the year ended June 30, 2009.

OVERVIEW

The year under review was a mixed year for the cement industry of Pakistan wherein on the one hand industry achieved all time high export volume in history of the country by exporting 11.381 million tons as against 7.717 million tons of last year which increased the ratio of export to overall dispatches at 37% as against 25% of last year. However, on the other hand economic slow down in the country due to poor law and order situation, persistent energy crises, tight monetary policy resulting high lending rates and uncertainty on the political front severely affected the growth in consumption of cement in the country. During the year under review, local consumption of cement witnessed a negative growth of 14% where industry dispatched 19.394 million tons as against 6.5% growth of last year with dispatches of 22.40 million tons. With the addition of new lines available cement capacity as on June 30, 2009 has increased to 41.760 million tons as compared to 37.157 million tons of last year.

OPERATING PERFORMANCE

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

	2009	2008	Change in
	Tonnes		%
Production			
Clinker	**740,330**	763,478	-3.03
Cement	**764,119**	790,518	-3.34
Dispatches			
Local	**536,963**	698,078	-23.08
Export	**226,505**	94,428	139.87
Total	**763,468**	792,506	-3.66

Overall production and dispatches of clinker and cement of the Company witnessed a nominal reduction, however, ratio of export to overall dispatches improved substantially and reached at 29.66% as against 11.92% of last year because the management focused more on export to mitigate the impact of lower demand in local market. Lower off take reduced ratio of local dispatches to 69.34% as against 88.08% of last year.

FINANCIAL PERFORMANCE

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

	2009	2008
Net sale	**3,310,731**	2,230,837
Gross Profit	**768,428**	191,201
Profit/ (Loss) before tax	**396,289**	(118,435)
Profit/ (Loss) after tax	**314,350**	(81,943)
Earning/ (Loss) per share	**6.89**	(1.8)

During the year under review, overall sale revenue of the Company increased by 42.65% as compared to last year mainly due to improved selling price in both local and export markets which was necessitated because of increase in prices of major input costs, higher lending rates and depreciation of Pak Rupee.

Cost of sales of the Company during the year increased by 19.37% whereas cost per ton of cement increased by 24.14%. Fuel and power cost comprising coal and electricity, major component of cost of production increased by 26.58% and its ratio to over all cost increased to 70% as against 66.49% of last year which was mainly because of frequent increase in electricity tariff. During the year Company did not receive gas from SNGPL for a single day forcing the Company to rely completely on coal which is comparatively expensive. Other cost components remained under control and marginal increase is due to inflation.

The finance cost increased to Rs. 190.589 million as compared to Rs. 176.64 million of last year. The loss on fair value measurement of cross currency swap is the main component of finance cost whereas higher mark up rates have resulted increase in finance cost.

DEBT OBLIGATION

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

WASTE HEAT RECOVERY POWER PLANT

The management of the Company always strives to play its part by contributing for the cleaner and better environment to its people and nearby surroundings around its work place in order to reduce pollution. Further as we mentioned above, major cost in cement and clinker production is fuel & power and electricity is a part of it. Sustained and reliable availability of electricity at competitive rates is imperative for the survival of any industry. The management being cognizant of the fact of ever increasing electricity tariff and frequent breakdown took the initiative to reduce dependence on WAPDA and has therefore decided to install 6.00 MW power plant based on waste heat recovery. Letter of credit for the import of plant and machinery has already been opened and it is expected to be arrived by January 2010 whereas civil work is also started. Once completed this project will reduce company's dependence on WAPDA and will improve environment.

CONTRIBUTING TO NATIONAL EXCHEQURE

Your company contributed around Rs. 1,066 million (2008: Rs. 950 million) in national exchequer as sale tax.excise duty, income tax and other levies.

PENDING LEGAL PROCEEDINGS

As elaborated in detail in Note No.11 to the attached financial statements, subsequent to the year end the Competition Commission of Pakistan (CCP) imposed penalty on all cement manufacturers including All Pakistan Cement Manufacturers Association (APCMA). Similar penalties have also been imposed on many other institutions in various identical proceedings. The Lahore High Court on petition filed by the Company and other manufacturers has restrained the CCP from taking any adverse action for the time being.

FUTURE PROSPECTS

Future prospect of the industry in local market is dependent on the policies of the government to revive the economic activities in the country, improve law and order situation, generate projected revenue to meet its allocated PSDP targets and rehabilitation of war affected areas which will enhance the consumption of cement in the country. Further, the Government needs to tackle the issue of load shedding on war footing to save the industries from total collapse. The present momentum of export is expected to continue in future as well which will continue providing opportunity to the industry to operate on optimal capacity and mitigate the impact of slow down in local market. Prices in local market have reduced considerably in the year 2009-10 due to sluggish demand which could affect the profitability of the industry.

CORPORATE GOVERNANCE

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

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 Accounting 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. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
8. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2008 was Rs. 94.331 million.

9. There is no outstanding statutory payment due on account of taxes, levies and charges except for 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. Zubaida Bai	2
Mr. Mohammed Yasin Fecto	4
Mr. Mohammed Asad Fecto	3
Mr. Mohammed Ilyas Khan	4
Mr. Muhammad Umer Memon	4
Mr. Safdar Abbas Morawala	2
Mr. Aamir Ghani	3
Mr. Khalid Yacoob	4
Mr. Muhammad Hussain	4
Mr. Mohammed Shakeel Arif	1

Directors who could not attend the meeting due to illness or some other engagements were granted Leave of absence. During the year one casual vacancy was occurred in the Board due to resignation of Mr. Safdar Abbas Morawala. which was duly filed in by the Board to comply with the requirements of the Companies Ordinance, 1984 and relevant Corporate Laws. The board members welcome the new director Mr. Mohammed Shakeel and place on record their appreciation for the valuable services and contribution made by the outgoing director Mr. Safdar Abbas Morawala.

AUDITORS

Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants and M/s. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, will retire on the conclusion of ensuing Annual General Meeting. M/s. KPMG Taseer Hadi & Co., Chartered Accountants have offered themselves for the re-appointment however M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have not offered themselves for re-appointment. Hence Audit committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the company for the year ending June 30, 2010.

PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2009 required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed.

APPROPRIATION

The Board of Directors have recommended 10% bonus shares for the financial year ended June 30 2009 for the approval of shareholders in the ensuing Annual General Meeting.

ELECTION OF DIRECTORS

Tenure of existing Board of Directors is going to be completed on October 31, 2009 accordingly election for the next three year's term are required to be held in ensuing Annual General Meeting of the Company schedule to be held on October 29, 2009. The Board of Directors has fixed the numbers of elected directors as 8 for the next term.

ACKNOWLEDGMENT

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

On behalf of the Board

(MOHAMMED ASAD FECTO)
CHAIRMAN

Karachi: September 17, 2009

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009

No. of Shareholders	Shareholders From	Shareholders To	Total Shares Held
201	1	100	16,374
920	101	500	420,918
199	501	1000	195,002
216	1001	5000	604,420
50	5001	10000	384,800
22	10001	15000	282,900
8	15001	20000	149,100
5	20001	25000	116,000
5	25001	30000	145,486
2	30001	35000	68,000
2	35001	40000	73,700
2	40001	45000	90,000
3	45001	50000	145,100
4	50001	55000	207,400
1	65001	70000	70,000
2	75001	80000	155,800
1	80001	85000	83,000
1	90001	95000	93,800
2	110001	115000	222,700
1	125001	130000	130,000
1	130001	135000	132,000
2	135001	140000	276,000
1	140001	145000	141,000
1	155001	160000	156,000
1	225001	230000	228,000
1	240001	245000	243,900
4	245001	250000	997,900
2	250001	255000	501,700
1	275001	280000	280,000
1	280001	285000	285,000
1	290000	295000	295,000
1	295001	300000	300,000
1	305001	310000	309,500
2	320001	325000	650,000
1	325001	330000	330,000
2	330001	335000	670,000
1	335001	340000	340,000
2	340001	345000	690,000
1	345001	350000	350,000
1	360001	365000	365,000
5	370001	375000	1,875,000
1	395001	400000	398,200
1	415001	420000	420,000
3	645001	650000	1,945,000
1	995001	1000000	999,300
1	1120001	1125000	1,122,800
1	1570001	1575000	1,570,478
1	1615001	1620000	1,617,722
2	1895001	1900000	3,790,834
1	3820001	3825000	3,825,000
1	8150001	8155000	8,150,072
1	8690001	8695000	8,690,094
1,696			**45,600,000**

Categories of Shareholders	Number of shareholders	Total Shares held	Percentage
Directors, Chief Executive Officer, their spouse and minor children	8	16,857,666	36.97
NIT and ICP	4	3,190,800	7.00
Banks, Development Financial Institutions, Non Banking Financial Institutions	8	3,960,800	8.68
Insurance Companies	3	83,300	0.18
Modaraba and Mutual Funds	1	800	0.00
General Public - Local	1,636	21,366,863	46.86
Other - Joint Stock Companies	36	137,771	0.30
Total	**1,696**	**45,600,000**	**100.00**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009
ADDITIONAL INFORMATION

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	–	–
NIT and ICP		
National Bank of Pakistan - Trustee Department	1	3,188,200
Investment Corporation of Pakistan	1	2,600
Directors		
Mrs. Zubeda Bai	1	5,000
Mr. Mohammed Yasin Fecto	1	8,690,094
Mr. Mohammed Asad Fecto	1	8,150,072
Mr. Mohammed Ilyas Khan	1	2,500
Mr. Muhammad Umer Memon	1	2,500
Mr. Mohammad Shakeel Arif	1	2,500
Mr. Aamir Ghani	1	2,500
Mr. Khalid Yacoob	1	2,500
Chief Exective Officer		
Mr. Mohammed Yasin Fecto	1	8,690,094
Executives	–	–
Public Sector Companies and Corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	12	4,044,900
Shareholders holding 10% or more voting interest		
Mr. Mohammed Yasin Fecto	1	8,690,094
Mr. Mohammed Asad Fecto	1	8,150,072
Detail of trading in shares by the Directors, Chief Financial Officers, Company secretary and their spouse and Minor Children		
Zubaida Bai		
Gifted		909,063
Received as Inheritance		101,563
Mohammed Yasin Fecto		
Purchased		780,388
Received as gift		190,310
Received as Inheritance		109,363
Mohammed Asad Fecto		
Purchased		240,266
Received as gift		190,310
Received as Inheritance		109,363
Ghulam Mohammed Fecto - Late		
Inherited to legal heirs		812,500
There ware no trading in shares by any other Directors, Chief Financial Officer, Company Secretary and their Spouse and Minor Children.		

SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year ended June 30	2009	2008	2007	2006	2005	2004
PRODUCTION SUMMARY				**(Tonnes)**		
Clinker production	740,330	763,478	729,599	537,350	573,398	464,766
Cement production	764,119	790,518	750,400	609,081	573,993	509,793
Cement despatches	763,468	792,506	741,727	612,495	574,119	511,093
			(Rupees in thousand unless stated otherwise)			
PROFIT & (LOSS) SUMMARY						
Turnover (net)	3,310,731	2,320,837	2,200,455	2,470,186	1,881,018	1,381,199
Gross profit	768,428	191,021	208,434	800,921	461.214	271,264
Profit/(Loss) before tax	396,289	(118,435)	29,104	637,516	297,295	136,958
BALANCE SHEET SUMMARY						
Paid up capital	456,000	456,000	456,000	456,000	456,000	456,000
Reserve	50,000	50,000	50,000	50,000	50,000	50,000
Accumulated profit	666,160	351,810	433,753	483,209	202,696	50,341
Long term loan and lease finance	292,074	394,018	489,604	304,349	17,934	41,884
Deferred liabilities	196,252	180,335	220,287	209,523	139,115	151,711
Operating assets	1,339,752	1,151,827	953,943	980,265	668,902	694,898
MISCELLANEOUS						
Contribution to national exchequer	991,662	943,407	956,726	878,111	750,600	633,257
Earning/(Loss) per share (Rs.)	6.89	(1.80)	0.42	9.15	4.34	2.03
Break up value per share (Rs.)	25.70	18.81	20.61	21.69	15.54	12.20
Current ratio	1:0.90	1:0.82	1:0.54	1:0.52	1:0.79	1:0.98
Debt/equity ratio	20:80	31:69	34:66	24:76	2:98	7:93
Dividend/Bonus declared	*10%	–	–	30%	15%	10%

* Bonus

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No. 37 (Chapter XI), Clause 43 (Chapter XIII) and Regulation 36 (Chapter XI) of Listing Regulation 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 nine directors including four independent non-executive directors, one director representing minority shareholders and one director nominated by a Financial Institution.
2. The directors have confirmed that none of them is serving as a director in more than ten 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 and none of them is a member a stock exchange.
4. One casual vacancy occurred during the year which was dully filled in by the Board in accordance with the requirements of Companies Ordinance, 1984 and Code of Corporate Governance.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and management employees of the Company.
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 has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence by 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 memorandum and article of association 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 Boards' meetings.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. The chairman of the committee is an executive director.
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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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.
19. 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.
20. We confirm that all other material principles contained in the Code including the requirements of newly inserted clause 'xiii a' relating to related party transactions have been complied with.

On behalf of the Board

(MOHAMMED ASAD FECTO)
Chairman

Karachi: September 17, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fecto Cement Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price.

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

KPMG TASEER HADI & CO.
Chartered Accountants

Date: September 17, 2009
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fecto Cement Limited ("the Company") as at 30 June 2009 and the related profit and loss account, 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, 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 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Muhammad Waseem

KPMG TASEER HADI & CO.
Chartered Accountants
Mazhar Saleem

Date: September 17, 2009
Karachi

BALANCE SHEET

	Note	2009	2008
		(Rupees in thousands)	
SHARE CAPITAL			
Authorised			
50,000,000 ordinary shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid-up			
45,600,000 ordinary shares of Rs. 10/- each Issued for cash		456,000	456,000
GENERAL RESERVE		50,000	50,000
UNAPPROPRIATED PROFIT		666,160	351,810
		1,172,160	857,810
NON-CURRENT LIABILITIES			
Long term financing	5	225,000	300,000
Liabilities against assets subject to finance lease	6	67,074	94,018
Deferred taxation	7	196,252	180,335
		488,326	574,353
CURRENT LIABILITIES			
Short term running finance	8	299,150	338,654
Current maturity of long term liabilities	9	103,039	99,755
Trade and other payables	10	541,788	358,953
		943,977	797,362
CONTINGENCIES AND COMMITMENTS	11		
		2,604,463	2,229,525

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

AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousands)	
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	12	**1,339,752**	1,151,827
Capital work in progress	13	**137,468**	26,428
		1,477,220	1,178,255
LONG TERM LOANS AND DEPOSITS	14	**82,584**	83,618
CURRENT ASSETS			
Stores and spares	15	**750,680**	640,761
Stock-in-trade	16	**167,862**	115,658
Trade debts - considered good	17	**65,580**	71,717
Loans, advances, deposits, prepayments and accrued markup	18	**41,001**	102,058
Cash and bank balances	19	**19,536**	37,458
		1,044,659	967,652
		2,604,463	2,229,525

(MOHAMMED YASIN FECTO)
Chief Executive

(MUHAMMAD HUSSAIN)
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousands)	
Sales -net	20	**3,310,731**	2,320,837
Cost of sales	21	**(2,542,303)**	(2,129,636)
Gross profit		**768,428**	191,201
Administrative expenses	22	**121,901**	116,086
Distribution cost	23	**38,477**	34,640
Finance cost	24	**190,589**	176,640
Other income	25	**(8,199)**	(17,752)
		(342,768)	(309,614)
		425,660	(118,413)
Workers' funds	26	**(29,371)**	(22)
Profit / (Loss) before taxation		**396,289**	(118,435)
Provision for taxation	27		
- Current		**(66,022)**	(3,092)
- Prior years		**–**	(367)
- Deferred		**(15,917)**	39,951
		(81,939)	36,492
Profit / (Loss) after taxation		**314,350**	(81,943)
		(Rupees)	
Earning / (Loss) per share - basic & diluted	28	**6.89**	(1.80)

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

(MOHAMMED YASIN FECTO)
Chief Executive

(MUHAMMAD HUSSAIN)
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousands)	2008 (Rupees in thousands)
Cash flows from operating activities			
Profit / (Loss) before taxation		**396,289**	(118,435)
Adjustments for:			
Depreciation		**63,284**	56,957
Gain on disposal of operating assets		**(1,760)**	(1,342)
Finance cost		**190,589**	176,640
Operating profit before working capital changes		**648,402**	113,820
Increase in stores and spares		**(109,919)**	(76,273)
Increase in stock-in-trade		**(52,204)**	(37,557)
Decrease / (Increase) in trade debts		**6,137**	(52,820)
Decrease in loans, advances, deposits, prepayments and accrued mark-up		**5,981**	411
Increase / (Decrease) in trade and other payables		**118,727**	(52,735)
Cash generated / used in operations		**617,124**	(105,154)
Finance cost paid		**(126,454)**	(80,107)
Income tax paid/deducted at source		**(10,946)**	(14,196)
Long term loans and deposits		**1,034**	2,069
Net cash generated from / (used) in operating activities		**480,758**	(197,388)
Cash flows from investing activities			
Fixed capital expenditure		**(364,419)**	(34,791)
Sale proceeds of operating assets		**3,929**	2,575
Net cash used in investing activities		**(360,490)**	(32,216)
Cash flows from financing activities			
Repayment of long term financing		**(75,000)**	(75,000)
Lease finance obtained		**–**	4,800
Repayment of lease finance		**(23,660)**	(26,075)
Dividend paid		**(26)**	(1,113)
Net cash used in financing activities		**(98,686)**	(97,388)
Net increase / (decrease) in cash and cash equivalents		**21,582**	(326,992)
Cash and cash equivalents as at July 1		**(301,196)**	25,796
Cash and cash equivalents as at June 30		**(279,614)**	(301,196)
Cash and cash equivalent:			
Cash and bank balances	19	**19,536**	37,458
Short term running finance		**(299,150)**	(338,654)
		(279,614)	(301,196)

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

(MOHAMMED YASIN FECTO)
Chief Executive

(MUHAMMAD HUSSAIN)
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

(Rupees in thousands)

	Share Capital	General Reserve	Accumulated Profit	Total
Balance as at July 01, 2007	456,000	50,000	433,753	939,753
Loss for the year ended June 30, 2008 (total recognised income and expenses)	–	–	(81,943)	(81,943)
Balance as at June 30, 2008	456,000	50,000	351,810	857,810
Profit for the year ended June 30, 2009 (total recognised income and expenses)	–	–	314,350	314,350
Balance as at June 30, 2009	**456,000**	**50,000**	**666,160**	**1,172,160**

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

(MOHAMMED YASIN FECTO)
Chief Executive

(MUHAMMAD HUSSAIN)
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 28, 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

3.1 Accounting Convention

These financial statements are prepared under the historical cost convention, except for the derivative financial instruments which are remeasured at the fair value.

3.2 Initial application of a standard or an interpretation

The following standards, amendments and interpretations become effective during the current year IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on the Company's financial statements for the year ended 30 June 2009.

3.3 New accounting standards and interpretations

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23-Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires the an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment in formation based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of .consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pak Rupees have been rounded to nearest thousand.

3.5 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 33.

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 Equipment

Owned:

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

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

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

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

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

Leased:

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

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

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.

4.2 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.

4.3 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.

4.4 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.

4.5 Financial assets other than derivatives and loan with Sui Northern Gas Pipelines Limited (SNGPL)

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.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 Taxation

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

Current:

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

Deferred:

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

4.11 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.

4.12 Revenue Recognition

Sale of goods

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

Profit on term deposits and long term advances

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

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

		(Rupees in thousands)	
		2009	2008
5. LONG TERM FINANCING - SECURED			
Standard Chartered Bank Limited	(Note 5.1 & 5.3)	**100,000**	125,000
Saudi Pak Syndicate	(Note 5.2 & 5.3)	**200,000**	250,000
		300,000	375,000
Less: Current maturity	(Note 9)	**(75,000)**	(75,000)
		225,000	300,000

5.1 This represents finance facility of Rs. 150 million (2008: Rs. 150 million) obtained from Standard Chartered Bank Limited. The amount is payable in 12 equal semi annual instalments commencing from July 24, 2007. The facility carries mark-up @ 3 months KIBOR plus 2.75% with a floor of 6.5% and will be set on the first day of each quarter. The loan is secured by way of a first pari passu charge on all movable and immovable properties of the Company and personal guarantee of sponsoring directors.

5.2 This represents the syndicated term finance facility of Rs. 300 million (2008: Rs. 300 million) obtained from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited and NIB Bank Limited (formerly PICIC Commercial Bank Limited). The amount is payable in 12 equal semi annual instalments commencing December 31, 2007. The facility carries mark-up @ 6 months KIBOR plus 2.5% and will be set on the first day of each quarter. The loan is secured by way of a first pari passu charge on all movable and immovable properties of the Company and personal guarantee of sponsoring directors.

5.3 The Company has entered into cross currency and interest rate swaps against long term finances for a notional amount of Rs.437.50 million (June 30, 2009: Rs. 300 million), maturing upto June 28, 2013. Under the swap arrangement the principal payable amount of Rs. 437.50 million is swapped with US $ at Rs. 60.59 per US $ making the loan amount to US $ 7.22 million (June 30, 2009: US $ 4.95 million). Besides the swap of the principal amount to US$, the Company would receive 6 months KIBOR rates in local currency and pay 8.6% fixed in US$ as per the arrangements, which will be settled semi-annually. As at the balance sheet date, the net fair value of these cross currency and interest rate swaps was Rs. 157.352 million (2008: Rs. 90.976 million) unfavourable . This change in fair value has been recognised in profit and loss account. These swap arrangements have exposed the Company to foreign currency exchange rate fluctuation risk on the US $ value converted at the agreement date, while interest rate variability risk due to change in KIBOR rates has been covered.

		(Rupees in thousands) 2009	2008
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Opening balance		**118,773**	140,048
New leases acquired		**-**	4,800
Less: Repayments during the year		**(23,660)**	(26,075)
		95,113	118,773
Less: Current maturity	(Note 9)	**(28,039)**	(24,755)
		67,074	94,018

Lease payments are due as under:

(Rupees in thousands)

	2009			2008		
	Principal	Finance Charges Allocated to Future years	Total Lease Rentals	Principal	Finance Charges Allocated to Future years	Total Lease Rentals
Not later than one year	**28,039**	**11,087**	**39,126**	24,755	12,534	37,289
Later than one year but not later than five years	**67,074**	**7,138**	**74,212**	94,018	14,678	108,696
	95,113	**18,225**	**113,338**	118,773	27,212	145,985

6.1 This represents lease arrangements for machinery and vehicle repayable latest by February 19, 2012. Financing rate @ 3 months KIBOR plus 3% per annum have been used as discounting factor. Overdue rentals are subject to additional charge up to 3% per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. The lessee can exercise purchase option at the end of the lease term by adjusting security deposit of Rs.14.76 million (2008: Rs. 14.76 million) for lease.

	(Rupees in thousands) 2009	2008
7. DEFERRED TAXATION		
Taxable temporary differences arising in respect of:		
Accelerated tax depreciation	**185,795**	218,439
Finance lease arrangements	**10,457**	23,088
	196,252	241,527
Deductible temporary difference arising in respect of		
carried forward losses	-	(29,351)
Fair value of derivatives	-	(31,841)
	-	(61,192)
	196,252	180,335

8. SHORT TERM RUNNING FINANCE-SECURED

The Company has aggregate running finance facilities of Rs. 520 million (2008: Rs. 520 million) available from commercial 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 and personal guarantee of sponsoring directors of the Company. The rate of mark-up ranges from 3 months KIBOR plus 1.75% to 3.5% (2008: 3 months KIBOR plus 1.3% to 2.5%) per annum. The facilities are available for various periods expiring between December 31, 2009 and April 30, 2010.

		(Rupees in thousands) 2009	2008
9. CURRENT MATURITY OF LONG TERM LIABILITIES			
Long term financing	(Note 5)	**75,000**	75,000
Liabilities against assets subject to finance lease	(Note 6)	**28,039**	24,755
		103,039	99,755
10. TRADE AND OTHER PAYABLES			
Creditors for Goods:			
Other creditors		**30,131**	63,885
Associated company		**52,396**	18,862
Accrued expenses		**46,762**	43,605
Workers' funds	(Note 10.1)	**29,371**	–
Accrued mark-up - secured		**8,239**	10,480
Advances from customers		**37,004**	44,795
Deposits from dealers, contractors and suppliers		**11,812**	14,194
Royalty payable		**74**	71
Excise duty payable		**38,646**	38,681
Sales tax payable		**3,361**	3,389
Income tax withheld		**2,447**	573
Unclaimed dividend		**11,105**	11,132
Unpaid dividend		**257**	257
Fair value of derivative	(Note 5.3)	**157,352**	90,976
Other liabilities		**112,831**	18,053
		541,788	358,953

10.1 WORKERS' FUNDS

		2009	2008
Workers' profit participation fund			
Opening balance		**–**	1,559
Add: Charge for the year	(Note 26)	**21,283**	–
Interest accrued		**–**	62
		21,283	1,621
Less: Payment during the year		**–**	1,621
		21,283	–
Workers' welfare fund		**8,088**	–
		29,371	–

11. CONTINGENCIES AND COMMITMENTS

11.1 CONTINGENCIES

The Competition Commission of Pakistan (the CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers.

The Company has filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs. 174.063 million on the Company. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Company for the time being.

The vires of the Competition Commission of Pakistan, 2007 have been challenged by a large number of Petitioners including company and the company has been advised by its legal counsel that Prima Facie the Competition Commission Ordinance, 2007 is ultra vires to the Constitution. A large number of grounds have been raised by these Petitioners and the matter is currently being adjudicated by the Lahore High Court, the Sindh High Court and the Supreme Court of Pakistan. In all these cases stay orders have been granted by the Courts. Based on the legal opinion, the management is confident that the Company has a good case and there are reasonable chances of success in the pending Petition in the Lahore High Court.

	(Rupees in thousands) 2009	2008
11.2 COMMITMENTS		
Outstanding letters of credit	473,012	56,172

12. OPERATING ASSETS

JUNE 30, 2009 (Rupees in thousands)

ITEMS	COST AS AT 1 - Jul - 08	ADDITIONS/ ADJUSTMENT	TRANSFERS/ DISPOSAL	AS AT 30 - Jun - 09	RATE	DEPRECIATION AS AT 1 - Jul - 08	DURING THE PERIOD	TRANSFERS/ DISPOSAL	AS AT 30 - Jun - 09	WRITTEN DOWN VALUE
OWNED:										
Freehold Land	18,084	134,246	-	152,330	0.00%	-	-	-	-	152,330
Factory Building On Freehold Land	294,903	-	-	294,903	10.00%	213,600	3,781	-	217,381	77,522
Non-Factory Building On Freehold Land	111,180	1,964	-	113,144	5.00%	64,420	2,238	-	66,658	46,486
Plant, Machinery and Equipments	2,053,838	75,012	-	2,128,850	10.00%	1,257,090	34,815	-	1,291,905	836,945
Quarry Transport Equipments	209,821	29,101	(53,373)	185,549	20.00%	177,352	5,093	(51,621)	130,824	54,725
Furniture, Fixtures and Equipments	36,865	4,720	-	41,585	10.00%	31,936	1,889	-	33,825	7,760
Motor Vehicles	64,226	8,336	(4,230)	68,332	20.00%	35,431	8,498	(3,812)	40,117	28,215
LEASED:										
Plant, machinery and equipments	144,622	-	-	144,622	10.00%	6,107	6,106	-	12,213	132,409
Motor vehicles	4,800	-	-	4,800	20.00%	576	864	-	1,440	3,360
Total	2,938,339	253,379	(57,603)	3,134,115		1,786,512	63,284	(55,433)	1,794,363	1,339,752

JUNE 30, 2008 (Rupees in thousands)

ITEMS	COST AS AT 1 - Jul - 07	ADDITIONS/ ADJUSTMENT	TRANSFERS/ DISPOSAL	AS AT 30 - Jun - 08	RATE	DEPRECIATION AS AT 1 - Jul - 07	DURING THE PERIOD	TRANSFERS/ DISPOSAL	AS AT 30 - Jun - 08	WRITTEN DOWN VALUE
OWNED:										
Freehold land	18,084	-	-	18,084	0.00%	-	-	-	-	18,084
Factory building on freehold land	288,189	6,714	-	294,903	10.00%	209,830	3,770	-	213,600	81,303
Non-factory building on freehold land	111,180	-	-	111,180	5.00%	62,245	2,175	-	64,420	46,760
Plant, machinery and equipments	1,954,160	84,001	15,677	2,053,838	10.00%	1,221,359	32,752	2,979	1,257,090	796,748
Quarry transport equipments	209,821	-	-	209,821	20.00%	174,332	3,020	-	177,352	32,469
Furniture, fixtures and equipments	35,453	2,097	(685)	36,865	10.00%	30,712	1,875	(651)	31,936	4,929
Motor vehicles	55,099	13,840	(4,713)	64,226	20.00%	32,263	6,682	(3,514)	35,431	28,795
LEASED:										
Plant, machinery and equipments	15,677	144,622	(15,677)	144,622	10.00%	2,979	6,107	(2,979)	6,107	138,515
Motor vehicles	-	4,800	-	4,800	20.00%	-	576	-	576	4,224
Total	2,687,663	256,074	(5,398)	2,938,339		1,733,720	56,957	(4,165)	1,786,512	1,151,827

	(Rupees in thousands) 2009	2008
12.1 ALLOCATION OF DEPRECIATION:		
Excavation Cost	13,134	10,615
Manufacturing Cost	42,045	39,726
Administrative Expenses	5,949	4,883
Distribution Cost	2,156	1,733
	63,284	56,957

12.2 Disposals

(Rupees in Thousands)

Details of disposals of Operating Assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
Vehicles						
Suzuki Cultus IDL-4525	555	500	55	227	Negotiation	Mohammad Zeeshan S/o. Mohammad Farman, House No. 2, Mohalla Railway Scheme No. 7, Railway Workshop Road, Rawalpindi
Suzuki Cultus IDK-6117	511	460	51	190	Negotiation	Riaz Hussain S/o. Nazok Hussain, Islamabad
Suzuki Cultus IDL-8085	550	495	55	210	Negotiation	Mohammad Zeeshan S/o. Mohammad Farman, House No. 2, Mohalla Railway Scheme No. 7, Railway Workshop Road, Rawalpindi
Nissan Pick-up IDF-2691	246	236	10	72	Negotiation	Riaz Hussain S/o. Nazok Hussain, Islamabad
Suzuki Jeep IDE-8637	232	222	10	90	Negotiation	Riaz Hussain S/o. Nazok Hussain, Islamabad
Suzuki Baleno IDK-2077	688	619	69	252	Negotiation	Abdul Majeed S/o. Ghulam Asghar Islamabad
Suzuki Baleno IDK-3257	625	562	63	252	Negotiation	Abdul Majeed S/o. Ghulam Asghar Islamabad
Honda City AC-5627	785	707	78	150	Negotiation	Syed Ishrat Hussain S/o. Syed Akhlaq Hussain, D-83 Miran Mohammad Shah Road, KDA Scheme No. 1, Karachi
Motor Cycle KDL 0353	38	11	27	5	Negotiation	Mr. Imran S/o. Ahmed Ali (Employee) House No. 285, Street 3, Sector 11-J, New Karachi & North Karachi
Total Vehicles	4,230	3,812	418	1,448		
Quarrying Equipment						
Wheel Loader Faun 3500 (-3- Nos)	42,259	40,882	1,376	1,801	Tender	Rizwan & Irfan Brothers House # 505/5 Opposite Shahrah-e-Punjab, Kanta Missri Shah Road, Lahore
Crawler Loader Fiat	10,385	10,047	338	630	Tender	Rizwan & Irfan Brothers House # 505/5 Opposite Shahrah-e-Punjab, Kanta Missri Shah Road, Lahore
Universal Drill Holman (Wagon Drill)	729	692	37	50	Tender	Rizwan & Irfan Brothers House # 505/5 Opposite Shahrah-e-Punjab, Kanta Missri Shah Road, Lahore
Total Quarrying Equipment	53,373	51,621	1,751	2,481		
Grand Total	57,603	55,433	2,169	3,929		

13. CAPITAL WORK IN PROGRESS

	(Rupees in thousands) 2009	2008
Building		
Opening balance	1,105	6,578
Expenditure incurred during the year	7,902	1,241
Transferred to operating assets	(2,631)	(6,714)
	6,376	1,105
Machinery and equipments		
Opening balance	25,323	241,133
Expenditure incurred during the year	144,611	12,668
Transferred to operating assets	(38,842)	(228,478)
	131,092	25,323
	137,468	26,428

		(Rupees in thousands) 2009	2008
14. LONG TERM LOANS AND DEPOSITS			
Long term deposits	(Note 14.1)	**51,770**	51,350
Long term loan - unsecured, considered good			
Employees	(Note 14.2)	**7,620**	6,044
Executives	(Note 14.2)	**2,426**	2,552
Sui Northern Gas Pipelines Limited	(Note 14.3)	**28,271**	30,985
		38,317	39,581
Less: Current portion	(Note 18)	**(7,503)**	(7,313)
		30,814	32,268
		82,584	83,618

14.1 This includes Rs. 32.839 million margin given to Silkbank Limited (formerly, Saudi Pak Commercial Bank Ltd.) against the bank guarantee of Rs. 328.399 million issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

14.2 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 3.211 million (2008: Rs. 2.719 million). The loan to executives and employees are interest free and in accordance with the terms of their employment.

14.3 This represents the unsecured loan of Rs. 44.48 million given to Sui Northern Gas Pipelines Limited for laying of gas pipeline and is repayable in 10 equal yearly instalments after grace period of two years. This loan had been measured to its present value using prevailing market rate of mark-up at 8.0% per annum for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.

15. STORES AND SPARES

	2009	2008
Stores	**144,868**	84,709
Spares	**520,017**	425,137
Store in transit	**85,795**	130,915
	750,680	640,761

16. STOCK IN TRADE

	2009	2008
Finished goods	**28,518**	21,400
Work-in-process	**110,378**	63,395
Raw Material	**8,173**	7,969
Packing Material	**20,793**	22,894
	167,862	115,658

17. TRADE DEBTS - Considered good

These trade debts are unsecured, except foreign currency receivables amounting to Rs. 9.64 million (2008: Rs. 55.63 million), secured by letter of credits.

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

	2009	2008
Current portion of long term loans - unsecured, considered good	**7,503**	7,313
Advances to Suppliers and contractors - unsecured, considered good	**4,539**	9,657
Income tax payments less provisions	**17,383**	72,459
Advance excise duty and sales tax	**5,704**	–
Deposits	–	1,470
Prepayments	**5,573**	6,938
Accrued mark-up	**299**	300
Other receivable	–	3,921
	41,001	102,058

		(Rupees in thousands) 2009	2008
19. CASH AND BANK BALANCES			
In hand		**554**	1,133
With banks in current accounts		**18,982**	36,325
		19,536	37,458
20. SALES-NET			
Sales - Local		**3,529,063**	3,021,527
- Export		**917,643**	331,244
		4,446,706	3,352,771
Less: Excise duty		**503,818**	544,902
Sales tax		**487,844**	398,505
Commission		**96,388**	36,065
Export expenses		**47,925**	52,462
		1,135,975	1,031,934
		3,310,731	2,320,837
21. COST OF SALES			
Raw and packing material consumed:			
Opening stock		**30,863**	16,396
Purchases		**270,301**	256,087
Excavation cost	(Note 21.1)	**150,166**	146,297
		451,330	418,780
Closing stock		**(28,966)**	(30,863)
		422,364	387,917
Fuel and power		**1,788,116**	1,412,600
Stores and spares consumed		**92,559**	78,402
Salaries, wages and benefits		**175,839**	165,965
Insurance		**26,953**	22,637
Repairs and maintenance		**9,858**	10,010
Depreciation	(Note 12)	**42,045**	39,726
Other manufacturing overheads		**38,670**	35,469
		2,596,404	2,152,726
Opening work-in-process		**63,395**	35,120
Closing work-in-process		**(110,378)**	(63,395)
Cost of goods manufactured		**2,549,421**	2,124,451
Opening finished goods		**21,400**	26,585
Closing finished goods		**28,518**	(21,400)
		2,542,303	2,129,636

21.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 5.997 million (2008: Rs. 4.22 million) and Rs. 0.33 million (2008: Rs. 0.41 million) respectively.

22. ADMINISTRATIVE EXPENSES

		2009	2008
		(Rupees in thousands)	
Salaries, wages and benefits	(Note 22.1)	**72,084**	74,379
Travelling and conveyance		**6,503**	3,686
Vehicles running expenses		**6,677**	5,691
Communications		**2,869**	2,726
Printing and stationery		**921**	1,118
Rent, rates and taxes		**7,256**	6,059
Utilities		**7,240**	5,840
Repairs and maintenance		**991**	1,116
Legal and professional charges		**2,353**	2,775
Auditors' remuneration	(Note 22.2)	**1,089**	1,093
Donations	(Note 22.3)	**2,258**	1,806
Depreciation	(Note 12)	**5,949**	4,883
Miscellaneous		**5,711**	4,914
		121,901	116,086

22.1 This includes Company's contribution to provident fund amounting to Rs. 1.97 million (2008: Rs. 2.14 million).

22.2 AUDITORS' REMUNERATION

(Rupees in thousands)

	2009		2008	
	Rahman Sarfaraz Rahim Iqbal Rafiq	KPMG Taseer Hadi & Co.	Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq	KPMG Taseer Hadi & Co.
Audit fee (including half yearly review)	**325**	**325**	325	325
Other services	**50**	**260**	70	260
Out of pocket expenses	**49**	**80**	49	64
	424	**665**	444	649
		1,089		1,093

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

23. DISTRIBUTION COST

		2009	2008
		(Rupees in thousands)	
Salaries, wages and benefits	(Note 23.1)	**21,636**	18,939
Travelling and conveyance		**379**	137
Vehicles running expenses		**1,787**	1,818
Communications		**1,062**	1,100
Rent, rates and taxes		**2,893**	2,287
Repairs and maintenance		**679**	573
Advertisement		**2,357**	1,678
Marking fee		**3,499**	2,327
Depreciation	(Note 12)	**2,156**	1,733
Miscellaneous		**2,029**	4,048
		38,477	34,640

23.1 This includes Company's contribution to provident fund amounting to Rs. 0.69 million (2008: Rs. 0.63 million).

		(Rupees in thousands) 2009	2008
24. FINANCE COST			
Mark-up on:			
Long term loans		**59,288**	52,698
Lease finance		**15,600**	14,771
Running finance		**24,863**	17,067
Interest on workers profit participation fund		**–**	62
Exchange loss/(gain)		**2,356**	(3,899)
Legal documentation fee		**334**	369
Bank commission and charges		**4,887**	4,861
Loss on derivative financial instrument	(Note 24.1)	**83,261**	90,711
		190,589	176,640
24.1 Movement in the fair value of cross currency swap		**66,376**	90,976
Less: Realized during the year - unfavourable / (favourable)		**16,885**	(265)
		83,261	90,711
25. OTHER INCOME			
Mark-up on bank deposits		**1,508**	2,280
Mark-up on long term advance		**599**	634
Accretion of discount		**1,734**	1,873
Gain on sale of operating assets		**1,760**	1,342
Scrap sales		**2,450**	11,012
Miscellaneous		**148**	611
		8,199	17,752
26. WORKERS' FUNDS			
Workers' profit participation fund		**21,283**	–
Workers' welfare fund		**8,088**	22
		29,371	22
27. TAXATION			
Relationship between income tax expense and accounting profit			
Profit before taxation		**396,289**	(118,435)
Tax at the applicable rate of 35% (2008: 35%)		**138,701**	(41,452)
Net tax effect of export sales taxed at different rate		**3,053**	4,098
Net tax effect of gain on sale of operating assets excluded in determination of taxable income		**–**	(149)
Deferred Tax effect due to Export Sales		**(63,359)**	–
Tax effect of inadmissible expenses		**790**	632
Others		**2,754**	12
		81,939	(36,859)
Reversal of prior year's income tax provision - others		**–**	367
Net tax charge for the year		**81,939**	(36,492)

The income tax assessments of the Company have deemed to be finalized up to and including tax year 2008.

	(Rupees in thousands)	
	2009	2008

28. EARNING / (LOSS) PER SHARE - Basic and Diluted

	2009	2008
Earning / (Loss) after taxation	**314,350**	(81,943)
	(Number in thousands)	
Weighted average number of ordinary shares	**45,600**	45,600
Earning / (Loss) per share	**6.89**	(1.80)

29. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in thousands)

	2009			2008		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	**5,274**	**5,274**	**47,006**	5,274	5,274	50,395
Bonus/Ex-Gratia	**1,211**	**1,211**	**4,290**	1,967	1,967	8,780
Retirement Benefits	**–**	**–**	**2,816**	–	–	3,073
Reimbursable Perquisites	**726**	**726**	**2,795**	726	726	2,955
	7,211	**7,211**	**56,907**	7,967	7,967	65,203
Number	**1**	**1**	**29**	1	1	30
Meeting Fee	**–**	**110**	**–**	–	105	–
Number	**–**	**7**	**–**	–	7	–

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

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

30. TRANSACTIONS AND 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 / balances with related parties during the period other than those disclosed elsewhere in the financial statements were as follows:

	(Rupees in thousands)	
	2009	2008
Associated company		
Purchases (Frontier Paper Products (Private) Limited)	**123,374**	136,110
Others		
Disbursement of advances to key management personnel	**2,900**	2,330
Repayment of advances by key management personnel	**3,136**	1,040
Sale of Vehicles	**155**	15

Balances with related parties are disclosed in note 10 & 14.

	2009	2008
	Tons	

31. CAPACITY AND PRODUCTION

	2009	2008
Rated Capacity	**780,000**	780,000
Actual Production	**740,330**	763,478

The low capacity utilisation is due to depressed market conditions.

32. 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

32.1 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 certain enterprises / organisations owned / substantially owned by the government and small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from above small and medium sized enterprises, the management continuously monitors the credit exposure and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with reputable high quality credit worthiness.

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

	(Rupees in thousands)			
	2009		2008	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
Trade debts	**65,580**	**65,580**	71,717	71,717
Loans, advances, deposits and accrued mark-up	**94,925**	**94,925**	106,279	106,279
Bank balances	**18,982**	**18,982**	36,325	36,325
	179,487	**179,487**	214,321	214,321

32.1.1 The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

	(Rupees in thousands)	
	2009	**2008**
Domestic (Pakistan)	**55,855**	35,015
Exports (India and Afghanistan)	**9,725**	36,702

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

	(Rupees in thousands)	
	2009	**2008**
Dealers / distributors	**14,534**	45,153
End-user customers	**51,046**	26,564

32.1.3 Impairment losses

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

	(Rupees in thousands)			
	2009		2008	
	Gross	**Impairment**	**Gross**	**Impairent**
Not past due	–	–	–	
Past due 1-60 days	**64,971**	–	66,219	–
Past due 61 days -1 year	**464**	–	5,039	–
More than one year	**145**	–	459	–
Total	**65,580**	–	71,717	–

32.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or 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):

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in thousands) 2009					
Non-Derivative						
Financial liabilities						
Long term financing	**300,000**	**396,906**	**53,790**	**57,597**	**285,519**	–
Liabilities against assets subject to finance lease	**95,113**	**113,338**	**19,563**	**19,563**	**74,212**	–
Short-term running finance	**299,150**	**318,693**	**318,693**	–	–	–
Trade and other payables	**339,908**	**339,908**	**328,096**	–	–	11,812
Derivatives						
Cross currency swap	–	–	**157,352**	–	–	–
	1,034,171	**1,168,845**	**877,494**	**77,160**	**359,731**	**11,812**

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in thousands) 2008					
Non-Derivative						
Financial liabilities						
Long term financing	375,000	585,066	59,341	65,208	460,517	–
Liabilities against assets subject to finance lease	118,773	145,985	18,604	18,604	108,777	–
Short-term running finance	338,654	365,071	365,071	–	–	–
Trade and other payables	225,263	225,263	211,069	–	–	14,194
Derivatives						
Cross currency swap	–	–	90,976	–	–	–
	1,057,690	1,321,385	745,061	83,812	569,294	14,194

32.3 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. The Company is exposed to currency risk and interest rate risk.

32.3.1 CURRENCY RISK

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

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	Rupees	US Dollars	Rupees	US Dollars
	(in thousands)			
	2009		2008	
Trade debts	**9,725**	**119**	36,702	538
Trade payables	–	–	–	–
Gross balance sheet exposure	**9,725**	**119**	36,702	538
Estimated forecast sales	**1,384**	**17**	11,181	164
Estimated forecast purchases	**(469,736)**	**(5,770)**	(56,172)	(405)
Gross exposure	**(468,352)**	**(5,753)**	(44,991)	(241)
Cross currency and interest rate swap - US Dollars	**(403,060)**	**(4,951)**	(450,256)	(6,602)
Net exposure	**(403,060)**	**(4,951)**	(450,256)	(6,602)
	(861,687)	**(10,585)**	(458,545)	(6,305)

The following exchange rates applied during the year:

	Average rates		Balance sheet rate	
	2009	2008	2009	2008
	(Rupees)			
US Dollars	**79.73**	63.35	**81.41**	68.20

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar at June 30, would have increased / (decreased) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	(Rupees in thousands)	
	Profit and Loss	Equity
As at June 30, 2009		
Effect in US Dollars	973	–
As at June 30, 2008		
Effect in US Dollars	3,670	–

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

32.3.2 INTEREST RATE RISK

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

	Carrying amount (Rupees in thousands)	
	2009	**2008**
Fixed rate instruments		
Financial assets	**28,271**	30,985
Financial liabilities	**–**	–
	28,271	30,985
Variable rate instruments		
Financial assets	**–**	–
Financial liabilities	**694,263**	832,427
	694,263	832,427

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Company does not account for fixed rate financial assets 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 2008.

	(Rupees in thousands)	
	Profit and loss	**Equity**
As at 30 June 2009		
Cash flow sensitivity-Variable rate instruments	282	–
As at 30 June 2008		
Cash flow sensitivity-Variable rate instruments	105	–

32.4 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.

32.5 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.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

33.1 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.

33.2 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.

33.3 Fair value of derivates financial instrument

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

34. GENERAL

34.1 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 17, 2009 has proposed a bonus share issue in the proportion of 1 share for every 10 shares held amounting to Rs. 45.6 million (2008: Nill) for approval by the members of the Company in forthcoming annual General Meeting. The financial statements for the year ended 30 June 2009 do not include the effect of the proposed bonus issue, which will be accounted for in the financial statements for the year ending 30 June 2010.

34.2 These financial statements were authorised for issue in the Board of Directors meeting held on September 17, 2009.

(MOHAMMED YASIN FECTO)
Chief Executive

(MUHAMMAD HUSSAIN)
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 Registered Folio Number ______________ as my/our proxy in my/our absence to vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on Thursday, October 29, 2009 at 7:00 p.m. at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Member's Signature On Rupee Five Revenue Stamp

Folio No. ______________

Shares Held (Nos.) ______________

Place ______________ Date ______________

Witness : ______________

(Signature)

Name : ______________

Address : ______________

____

Notes:

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) not 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.