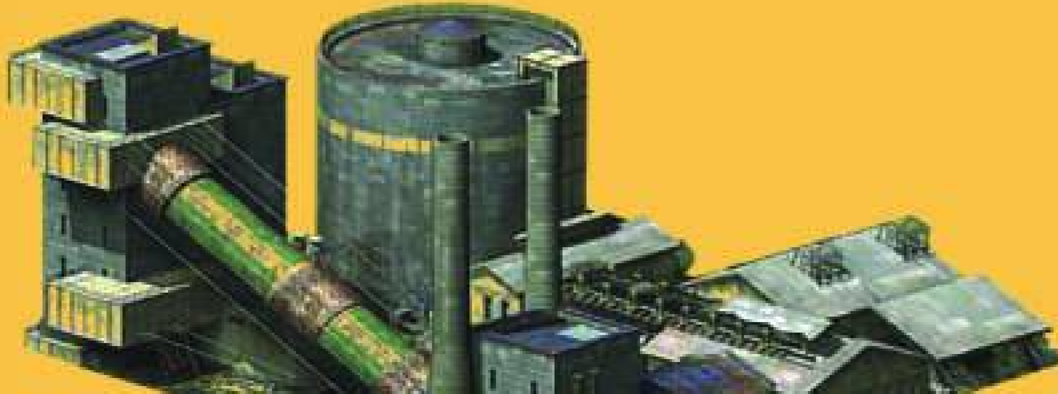
ANNUAL REPORT
2014



DANDOT CEMENT COMPANY LIMITED

Contents

Company Information
As at November 07, 2014

Board of Directors

Mr. Muhammad Azhar Sher	Chief Executive
Mr. Muhammad Sabir Sheikh	
Mr. Imran Bashir	
Mr. Muhammad Imran Iqbal	
Mr. Muhammad Amjad Aziz	Chairman
Syed Ansar Raza Shah	
Mr. Gul Hussain	

Audit Committee

Mr. Muhammad Sabir Sheikh	Member
Syed Ansar Raza Shah	Member / Chairman
Mr. Gul Hussain	Member

Human Resouces & Remuneration Committee

Mr. Muhammad Azhar Sher	Member
Syed Ansar Raza Shah	Member
Mr. Gul Hussain	Member/Chairman

Chief Financial Officer
Mr. Muhammad Kamran

Company Secretary
Mr. Muhammad Kamran

Statutory Auditors
Amin, Mudassar & Co.
Chartered Accountants

Internal Auditors
Parker Randall - A.J.S.
Chartered Accountants

Legal Advisor
International Legal Services

Bankers
The Bank of Punjab
United Bank Limited
National Bank of Pakistan
Habib Bank Limited
Bank Alfalah Limited
KASB Bank Limited
Bank Al-Habib Limited

Registered Office
30-Sher Shah Block, New Garden Town, Lahore
Telephone: +92-42-35911485, Fax: +92-42-35831846

Factory
DANDOT R.S., Distt. Jhelum.
Telephone: +92-544-211371, Fax: +92-544-211490

Share Registrar
Corplink (Pvt.) Limited.
Wings Arcade 1-K-Commercial, Model Town, Lahore.
Telephone: +92-42-35839182, Fax: +92-42-35869037

Website
www.dandotcement.com

Notice of Annual General Meeting

NOTICE is hereby given that 34th Annual General Meeting of the shareholders of Dandot Cement Company Limited for the financial year ended June 30, 2014 will be held on Saturday, November 29, 2014 at the registered office of the Company, 30 Sher Shah Block, New Garden Town , Lahore at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on November 30, 2013.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with Auditors' and Directors' Report thereon.

3. To appoint the auditors and to fix their remuneration. The present auditors, M/s. Amin, Mudassar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

4. To transact any other business with the permission of the chair.

(By Order of the Board)

LAHORE:
November 07, 2014.

(MUHAMMAD KAMRAN)
COMPANY SECRETARY

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from November 23, 2014 to November 29, 2014 (both days inclusive) for determining entitlement to attend the Annual General Meeting.

2. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the time of the holding of the Meeting.

3. CDC shareholders are requested to bring their National Identity Card, Account and Participant's Numbers and will further have to follow the guidelines as laid down in SECP's Circular No. 1 dated January 26, 2000 while attending the Meeting for identification.

4. Members are requested to notify immediately changes, if any, in their registered addresses.

Vision

Strives to continue its path of market growth, consolidation and improvement, spanning the areas upto Abroad. Our vision is to establish a strong market presence, focused on customer brand loyalty and satisfaction, on long-term basis.

Envisions to maintain consistent quality, keep abreast with technology as well as up-date our dynamic managerial and human resource capabilities in a competitive business environment, and to accomplish further improvement in its market share in an aggressive growth scenario.

Mission

Mission is to perform to the highest levels of professional excellence within the industry and the national economy, while catering to the needs of our ever dedicated workforce, ensuring reasonable return to the stakeholders while delivering our product to the end consumer at competitive prices to accelerate the sustained development of Pakistan.

Directors' Report to the Shareholders

The Board of Directors presents the 34th annual report along with the audited financial statements of the company for the year ended June 30, 2014.

Operational Performance

The operational performance of the company for the year under review as compared with the preceding year is as follows:

			2014	2013
-	Clinker production	M.Ton	**145,288**	42,890
-	Capacity utilization	%age	**30%**	9%
-	Cement production	M.Ton	**159,073**	24,518
-	Capacity utilization	%age	**32%**	5%
-	Sales	M. Ton	**155,111**	25,814

During the year under review cement production has been increased by 134,555 M. Tons. The reason of improvement is attributable to resumption of operations in December 2013 which were temporarily suspended from October 2012.

Operating Results

The comparative financial results of the company are summarized as below:

		2014	2013
		(Rupees in Thousands)	
-	Gross Sales	**1,364,314**	180,965
-	Net sales	**1,068,197**	145,272
-	Gross Loss	**348,280**	374,747
-	Net loss	**526,633**	466,807

The reason of loss sustained by the company is mainly due to startup cost, trial run operations before commencement of commercial operations, high input costs, power shutdowns with voltage fluctuations, major repair and maintance, alternative fuel testing's cost and accrual of markup on bank liabilities.

Dividend has not been recommended by the board of directors for the current year due to the loss suffered by the company.

Future Prospects

Industry :

It is anticipated that local demand of cement may increase due to expected government spending on infrastructure projects. Proper and efficient utilization of allocated development funds by the provinces would also help the sector to grow. Some control of terrorism and continuous positive pressure of opposition on the Government may also prove to be a trigger point of the revival of industry and may contribute positively.

Company:

Energy efficiency, labour efficiency & productivity and right financial modelling, smooth plant operations are key factors to success of any cement plant. The management is committed for a balanced delivery of long term values to all stake-holders including but not limited to financers, creditors, employees and shareholders.

Company's Plans

Sponsors of the company are considering various options to arrange further funds to make the plant efficient by replacement of old machinery especially electric installation/equipment and upgrading Coal Mill to reduce the power and fuel cost which is the major cause of loss sustained by the company in prior years.

Auditors' Observations

Letters for the balance confirmations have already been circulated and many of them have been received subsequently. The management has arranged a loan for the necessary maintenance of the plant resulting the resumption of operations in December 2013. Company has managed to reschedule the liability of The Bank of Punjab (BOP) amounting to Rs. 1,857 million. Furthermore, outstanding dues of Large Taxpayer Unit (LTU) amounting to Rs. 459.50 million and IESCO of Rs. 166.70 million have also been rescheduled. Up to the date of signing of these financial statements, company has not defaulted even in a single installment of its rescheduled payment and paid Rs. 272 million in this respect. On the basis of these facts the management of the company is fully confident that the company will continue its operations as a going concern. After the resumption of operations and stability of cash flows, company is regularly paying its monthly installments of old provident fund liability. All the mark-up of banking companies has been properly accounted for in the books of accounts of the company.

Compliance with Code of Corporate Governance

The management is fully aware of the compliance with Code of Corporate Governance and steps have been taken for its effective implementation since its inception.

Statements as required by the Code of Corporate Governance are given below:

- The financial statements prepared by the management present fairly the company's state of affairs, the results of its operations, cash flows and changes in equity.

- Proper books of account have been maintained.

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

- International Accounting Standards & IFRS as applicable in Pakistan have been followed in preparation of the financial statements.

- The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue for improvement.

- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the company for the year ended June 30, 2014.

- Key operating and financial data of last 10 years are annexed.

- The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in notes to the annexed financial statements.

- The estimated value of investments and assets of provident fund are referred in note 36 .

- During the year, four meetings of the Board of Directors were held. Attendance by each director at the board meeting is as under:

Directors Names	No. of Meeting attended
Mr. Muhammad Rasheed	4
Mr. Mansoor Rasheed(C.E.O)	0
Mr. Saud Rasheed	4
Mr. Gul Hussain	0
Mr. Muhammad Amjad Aziz	4
Mr. Muhammad Imran Iqbal	4
Syed Ansar Raza Shah	4

Note:

The directors who could not attend the board meeting were duly granted leave of absence from the board in accordance with the law.

Subsequent to the year end, following changes in the CEO and board of directors occurred:

Mr. Muhammad Rasheed	(Retiered on 30 October 2014)
Mr. Mansoor Rasheed(C.E.O)	(Retiered on 30 October 2014)
Mr. Saud Rasheed	(Retiered on 30 October 2014)
Mr. Muhammad Azhar Sher(C.E.O)	(Appointed on 30 October 2014)
Mr. Muhammad Sabir Sheikh	(Appointed on 30 October 2014)
Mr. Imran Bashir	(Appointed on 30 October 2014)

- During the year, four meetings of the audit committee were held. Attendance of the members were according to the guidance as per Code Of Corporate Governance.

Trading in Company's Shares

During the year under review, no trading in the shares of the company was carried out by the directors, CFO, company, secretary and their spouses and minor children as at June 30,2014.

Pattern of Shareholding

The pattern of shareholding and additional information required in this regard is enclosed.

External Auditors

The present auditors, M/s Amin Mudassar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2014-15. The Audit Committee has recommended their re-appointment.

Acknowledgement

The board of directors is thankful to all stakeholders including but not limited to bankers, employees, suppliers, distributors as well as regulators and shareholders for their continued support, cooperation and trust especially in crises tenure faced by the company in the current year.

MUHAMMAD AZHAR SHER
Chief Executive
Lahore: November 07, 2014

Pattern of Shareholding

As at June 30, 2014

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
152	1	100	4,638
179	101	500	61,061
81	501	1,000	70,091
156	1,001	5,000	401,668
40	5,001	10,000	281,229
18	10,001	15,000	214,548
6	15,001	20,000	117,500
6	20,001	25,000	137,745
3	25,001	30,000	85,500
2	30,001	35,000	63,304
1	40,001	45,000	41,902
1	45,001	50,000	47,500
1	50,001	55,000	55,000
2	70,001	75,000	142,293
1	80,001	85,000	84,000
1	85,001	90,000	87,250
3	95,001	100,000	295,212
1	135,001	140,000	137,063
1	180,001	185,000	182,625
1	195,001	200,000	199,377
1	210,001	215,000	211,862
2	230,001	235,000	465,379
1	285,001	290,000	286,081
1	310,001	315,000	314,800
1	345,001	350,000	346,936
1	385,001	390,000	387,524
1	565,001	570,000	566,480
1	675,001	680,000	678,000
1	995,001	1,000,000	1,000,000
1	1,540,001	1,545,000	1,543,839
1	2,250,001	2,255,000	2,254,386
1	2,395,001	2,400,000	2,400,000
1	2,575,001	2,580,000	2,576,020
1	2,745,001	2,750,000	2,749,999
1	3,245,001	3,250,000	3,250,000
1	11,150,001	11,155,000	11,150,500
1	14,995,001	15,000,000	14,995,737
1	46,950,001	46,955,000	46,952,931
675			**94,839,980**

5. Categories Of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	28,405,123	29.9506%
5.2 Associated Companies,undertakings and related parties. (Parent Company)	46,953,431	49.5081%
5.3 NIT and ICP	1,100	0.0012%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	3,680,220	3.8805%
5.5 Insurance Companies	182,625	0.1926%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10% or more	75,354,554	79.4544%
5.8 General Public		
a. Local	7,127,762	7.5156%
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	6,014,963	6.3422%
2- Foreign Companies	330,531	0.3485%
3- Trusts	2,143,225	2.2598%
4- Other Companies	1,000	0.0011%

Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2014

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	THREE STARS CEMENT (PVT) LTD (CDC)	46,953,431	49.5081
Mutual Funds (Name Wise Detail)		-	0.0000
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MUHAMMAD RASHEED (CDC)	500	0.0005
2	MR. MANSOOR RASHEED (CDC)	14,996,237	15.8121
3	MR. SAUD RASHEED (CDC)	13,404,886	14.1342
4	MR. MUHAMMAD IMRAN IQBAL	500	0.0005
5	MR. MUHAMMAD AMJAD AZIZ (CDC)	500	0.0005
6	MR. ANSAR RAZA (CDC)	500	0.0005
7	MR. GUL HUSSAIN (CDC)	500	0.0005
8	MRS. RIZWANA RASHEED W/O MUHAMAMD RASHEED (CDC)	500	0.0005
9	MRS. AYESHA MANSOOR W/O MANSOOR RASHEED (CDC)	500	0.0005
10	MRS. AMINA SAUD W/O SAUD RASHEED (CDC)	500	0.0005
Executives:		-	0.0000
Public Sector Companies & Corporations:		-	0.0000
Banks, Development Finance Institutions, Non Banking Finance		3,862,845	0.4070
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	MR. MANSOOR RASHEED (CDC)	14,996,237	15.8121
2	MR. SAUD RASHEED (CDC)	13,404,886	14.1342
3	THREE STARS CEMENT (PVT) LTD (CDC)	46,953,431	49.5081

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

MUHAMMAD AZHAR SHER
Chief Executive
Lahore: November 07, 2014

Statement of Compliance
with the
Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange Ltd and Lahore Stock Exchange Ltd 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 CCG in the following manner.

1- The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. Upto June 30, 2014 the board includes:

Category	Names
Independent Directors	Syed Ansar Raza Shah
Executive Directors	Mr. Mansoor Rasheed Mr. Muhammad Amjad Aziz Mr. Muhammad Imran Iqbal
Non Executive Directors	Mr. Muhammad Rasheed Mr. Saud Rasheed Syed Ansar Raza Shah Mr. Gul Hussain

2- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including company (excluding the listed subsidiaries of listed holding companies where applicable).

3- All the resident director 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 and NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4- No casual vacancy occurred during the year. However, subsequent to the year end, there is a change in the structure of the board of directors of the company as mentioned in directors report of these financial statements.

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

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

7- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board 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- All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses. The board arranged two in house training programs for its directors during the year.

10- No new appointment of CFO, Company Secretary and Head of Internal Audit has been approved by the board. The remuneration of CFO, Head of Internal Audit and Company Secretary was not revised during the year after due approval of the board.

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

12- The financial statements of the company were duly endorsed by current CEO and CFO before approval of the board.

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

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

15- The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

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

17- The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a Non-Executive director.

18- The board has setup an effective internal audit function comprising of qualified and experienced personals.

19- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

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

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

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

23- We confirm that all other material principles enshrined in the CCG have been complied

MUHAMMAD AZHAR SHER
Chief Executive
Lahore: November 07, 2014

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2014, prepared by the Board of Directors of **Dandot Cement Company Limited** (“The Company”) to comply with the Listing Regulation No.35 of the Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

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

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

Further, we would like to highlight below instance of non-compliance with the requirement of the code as reflected in clause (xi) and stated in the statement of compliance:

The Company has not arranged training course for its directors during the year as required under clause (xi) of the Code.

AMIN, MUDASSAR & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: MUHAMMAD AMIN
Lahore: November 07, 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of the **Dandot Cement Company Limited** as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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) (1) We have not received replies of direct balance confirmation letters circulated in respect of balances due to/ from Economic Affairs Division (EAD), KASB Bank Limited, ex-sponsors loan and loan to ex-associate. However, carrying amount of aforesaid loans and balances has been confirmed through alternative audit procedures. Further, we have also not received replies of direct balance confirmation letters circulated amounting Rs.21.460 million and Rs.14.047 million as referred to note no 9.4 and 20.2 respectively. Had provision against these balances been made the loss for the year would have been lower by net amount of Rs.7.413 million.

(2) These financial statements have been prepared on going concern basis despite the fact that the company has accumulated losses of Rs. 4,235.124 million while its current liabilities exceed the current assets by Rs. 2,887.333 million and non-payment of some overdue contractual obligations. Due to these factors and equivocal disclosure in note 1.2 of these financial statements, a material uncertainty arises that may cast significant doubt on the company's ability to continue as going concern and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

(3) The company has not paid dues of provident fund in full as explained in note nos. 6.2 and 36 to the financial statements resulting in non-compliance of section 227 of the Companies Ordinance, 1984.

(4) The company has accounted for markup with related charges on loans from The Bank of Punjab (BOP) and KASB Bank Limited including tax surcharge amounting Rs. 469.254 million prospectively instead of retrospectively. Had these figures been accounted for accordingly in the financial statements the loss for the year would have been lower by the aforesaid amount.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of matters described in Para (2), (3) and (4) and possible effects of matter discussed in Para (1) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the loss, 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).

AMIN, MUDASSAR & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: MUHAMMAD AMIN
Lahore: November 07, 2014

Balance Sheet

	Note	**2014 Rupees**	2013 Rupees (Re-stated)	2012 Rupees (Re-stated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital 100,000,000 (2013:100,000,000) ordinary shares of Rs.10/- each		**1,000,000,000**	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	3	**948,399,800**	948,399,800	948,399,800
Share premium reserve		**31,800,740**	31,800,740	31,800,740
Accumulated loss		**(4,235,124,127)**	(3,748,790,059)	(3,336,101,031)
		(3,254,923,587)	(2,768,589,519)	(2,355,900,491)
SURPLUS ON REVALUATION OF FIXED ASSETS	4	**1,030,109,897**	1,065,253,220	1,101,477,782
		(2,224,813,690)	(1,703,336,299)	(1,254,422,709)
LOAN FROM BANKING COMPANIES	5	**1,343,117,783**	1,020,000,000	1,020,000,000
OTHER LOANS AND LIABILITIES	6	**26,016,330**	37,994,550	299,965,765
DEFERRED LIABILITIES	7	**-**	-	-
LONG TERM ADVANCES AND DEPOSITS	8	**1,882,313**	1,532,313	1,708,402
		1,371,016,426	1,059,526,863	1,321,674,167
CURRENT LIABILITIES				
Trade and other payables	9	**1,940,435,092**	1,647,878,630	1,407,026,142
Mark up accrued	10	**514,094,819**	712,597,533	693,998,380
Short term borrowings	11	**1,185,698,828**	899,551,455	526,645,864
Current portion of long term loans and liabilities	12	**81,359,430**	74,610,861	64,876,468
		3,721,588,169	3,334,638,479	2,692,546,854
CONTINGENCIES AND COMMITMENTS	13	**-**	-	-
		2,867,790,905	2,690,829,043	2,759,798,312

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD AZHAR SHER
Chief Executive

As at June 30, 2014

	Note	**2014 Rupees**	2013 Rupees (Re-stated)	2012 Rupees (Re-stated)
ASSETS				
NON CURRENT ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
Operating fixed assets	14	**2,022,858,443**	2,016,895,019	2,085,626,356
LONG TERM LOANS	15	**2,800**	4,045	19,603
LONG TERM SECURITY DEPOSITS	16	**10,674,715**	10,374,715	10,434,715
		2,033,535,958	2,027,273,779	2,096,080,674
CURRENT ASSETS				
Stores, spares and loose tools	17	**149,040,673**	118,749,418	162,506,676
Stock in trade	18	**216,117,193**	217,025,760	104,948,507
Trade debts	19	**56,744,918**	3,038,538	9,899,364
Loans and advances	20	**292,218,913**	274,278,830	317,207,802
Balance with statutory authorities	21	**69,894,939**	37,485,467	55,688,320
Interest accrued	22	**9,388,556**	9,388,556	9,388,556
Other receivables	23	**386,967**	386,967	531,415
Cash and bank balances	24	**40,462,788**	3,201,728	3,546,998
		834,254,947	663,555,264	663,717,638
		2,867,790,905	2,690,829,043	2,759,798,312

MUHAMMAD IMRAN IQBAL
Director

Profit and Loss Account

For the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales			
Local sales		**1,364,313,890**	180,964,510
Less: Excise duty		**62,044,400**	10,325,700
Sales tax		**227,656,913**	24,960,596
Commission/discount		**6,414,960**	406,280
		296,116,273	35,692,576
		1,068,197,617	145,271,934
Cost of sales	25	**1,416,478,467**	520,018,560
Gross loss		**(348,280,850)**	(374,746,626)
Distribution cost	26	**3,349,392**	2,939,818
Administrative expenses	27	**40,788,114**	41,496,157
		44,137,506	44,435,975
		(392,418,356)	(419,182,601)
Other income	28	**321,676**	13,117,330
Other operating expenses	29	**25,858,329**	38,305,384
		(417,955,009)	(444,370,655)
Finance cost	30	**108,678,116**	19,268,646
Loss before taxation		**(526,633,125)**	(463,639,301)
Taxation:	31		
Current			
For the year		**-**	-
Prior years		**-**	3,168,078
Deferred	7	**-**	-
		-	3,168,078
Loss after taxation		**(526,633,125)**	(466,807,379)
Loss per share- Basic and Diluted- Rupees	32	**(5.55)**	(4.92)

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD AZHAR SHER
Chief Executive

MUHAMMAD IMRAN IQBAL
Director

Statement of Comprehensive Income

For the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees (Re-stated)
Loss after taxation	**(526,633,125)**	(466,807,379)
Items that will not be reclassified to profit or loss		
Gain on remeasurement of staff retirement benefit obligation	**5,155,734**	17,893,789
Items that will be reclassified to profit or loss		
Other comprehensive income-net of taxation	**5,155,734**	17,893,789
Total comprehensive loss for the year-net of tax	**(521,477,391)**	(448,913,590)

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD AZHAR SHER
Chief Executive

MUHAMMAD IMRAN IQBAL
Director

Cash Flow Statement

For the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(526,633,125)**	(463,639,301)
Adjustments of items not involving movement of cash:		
Depreciation	**67,147,846**	69,014,137
Gain on disposal of Fixed Assets	**(110,831)**	-
Gratuity	**16,489,933**	24,121,833
Profit on deposit and PLS accounts	**(210,845)**	(204,668)
Scrap on replacement of machinery	**25,858,329**	-
Finance cost	**108,678,116**	19,268,646
	217,852,548	112,199,948
Operating cash flows before working capital changes	**(308,780,577)**	(351,439,353)
(Increase)/Decrease in operating assets:		
Stores, spares and loose tools	**(24,691,255)**	43,757,258
Stock in trade	**908,567**	(112,077,253)
Trade debts	**(53,706,380)**	6,860,826
Loans and advances	**(17,940,083)**	42,928,972
Other receivables	**-**	144,448
Increase in trade and other payables	**170,962,827**	234,194,651
	75,533,676	215,808,902
	(233,246,901)	(135,630,451)
Long term security deposits	**(300,000)**	60,000
Gratuity paid	**(80,786)**	(25,000)
Finance cost paid	**(18,510,699)**	(214,700)
Interest received	**210,845**	204,668
Income tax paid	**(32,409,472)**	15,034,775
Net Cash Flows From Operating Activities	**(284,337,013)**	(120,570,708)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(94,491,967)**	(282,800)
Sale proceeds of fixed assets	**168,000**	-
Long term loans	**1,245**	15,558
Net Cash Flows From Investing Activities	**(94,322,722)**	(267,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans	**(11,432,651)**	(252,236,822)
Long term advances and deposits	**350,000**	(176,089)
Short term borrowings	**427,003,446**	372,905,591
Net Cash Flows From Financing Activities	**415,920,795**	120,492,680
Net increase / (decrease) in Cash and Cash Equivalents	**37,261,060**	(345,270)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,201,728**	3,546,998
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**40,462,788**	3,201,728

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD AZHAR SHER
Chief Executive

MUHAMMAD IMRAN IQBAL
Director

Statement of Changes in Equity
For the Year Ended June 30, 2014

	Share Capital	Share premium reserve	Accumulated loss	Total share capital & reserves	Surplus on revaluation of fixed assets	Total
			(R U P E E S)			
Balance as at June 30, 2012 - restated	948,399,800	31,800,740	(3,336,101,031)	(2,355,900,491)	1,101,477,782	(1,254,422,709)
Total comprehensive loss for the year - restated	-	-	(448,913,590)	(448,913,590)	-	(448,913,590)
Transferred from surplus on revaluation account:						
- Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	36,224,562	36,224,562	(36,224,562)	-
Balance as at June 30, 2013 - restated	948,399,800	31,800,740	(3,748,790,059)	(2,768,589,519)	1,065,253,220	(1,703,336,299)
Total comprehensive loss for the year	-	-	(521,477,391)	(521,477,391)	-	(521,477,391)
Transferred from surplus on revaluation account:						
- Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	35,143,323	35,143,323	(35,143,323)	-
Balance as at June 30, 2014	**948,399,800**	**31,800,740**	**(4,235,124,127)**	**(3,254,923,587)**	**1,030,109,897**	**(2,224,813,690)**

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD AZHAR SHER
Chief Executive

MUHAMMAD IMRAN IQBAL
Director

Notes to the Financial Statements
For the Year Ended June 30, 2014

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is a public limited Company incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. The Company started its production on March 01, 1983 and has been engaged in production and marketing of cement. The company is a subsidiary of Three Stars Cement (Pvt) Ltd. The registered office of the company is situated at 30-Sher Shah Block, New Garden Town, Lahore.

1.2 Due to severe financial crunch, mill operations of the company were temporarily suspended since October 2012. To resume the operations of the company, the management has arranged a loan for the necessary maintenance of the plant resulting the resumption of operations in December 2013. Company has managed to reschedule the liability of The Bank of Punjab (BOP) amounting to Rs. 1,857 million. Furthermore, outstanding dues of Large Taxpayer Unit (LTU) amounting to Rs. 459.50 million and IESCO of Rs. 166.70 million have also been rescheduled. Up to the date of signing of these financial statements, company has not defaulted even in a single installment of its rescheduled dues and paid Rs. 272 million in this respect.

Furthermore, sponsors of the company are also considering various options to arrange/inject further funds to make the machinery efficient especially by replacement of old electric installations / equipment to reduce the power and fuel cost which is the major cause of loss sustained by the company in past years. On the basis of these facts the management of the company is fully confident that the company will continue its operations as a going concern, inspite of the fact of accumulated loss of Rs. 4,235 million and current liabilities exceed its current assets by Rs. 2.887 million as at June 30, 2014.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) **Accounting Convention**

Basis of preparation of Financial Statements

These financial statements have been prepared under historical cost convention except for freehold land, buildings, plant and machinery and vehicles which are stated at revalued amounts, employees retirement benefit at present value and certain financial assets at fair value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgment are continously evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) staff retirement benefits;

b) taxation; and

c) useful life of depreciable assets and provision for impairment there against.

(b) **Statement of Compliance**

These financial statements have been prepared in accordance with approved accounting standards to the extent applicable in Pakistan with reference to the financial year covered by the financial statements and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance,1984 or the requirements of the said directives take precedence.

2.1.1 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.1.2 Amendments to Published Standards effective in current year

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company’s policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses would need to be recognized in other comprehensive income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

    o IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements.

If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- o IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- o IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- o IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

2.1.3 Change in accounting policy

During the year, in accordance with IAS 19 - 'Employee Benefits' (revised), the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised actuarial gains and losses immediately in other comprehensive income; immediately recognised all past service costs in profit and loss account; and replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has removed the corridor method and eliminated the ability for the Company to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which was previously allowed under IAS 19.

The change has been accounted for in accordance with IAS 19 - 'Employee Benefits' (Revised) and IAS 8 - 'Accounting Policies, Change in Accounting Estimates and Errors'. In accordance with requirements of IAS 8, the Company has applied the change in accounting policy retrospectively and IAS 1 - Presentation of Financial Statements' (Revised), the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 1, 2012. The above change in accounting policy does not affect deferred tax liability/(asset) on remeasurement of staff benefit retirement obligation.

Impact on these financial statements of this change in the accounting policy due to recognition of actuarial gains and losses on defined benefit plan in accordance with IAS 19 is summarized below as of July 1, 2012 and June 30, 2013 and for the year then ended:

Effect of change in accounting policy are as follows:

	As at June 30, 2013		
	Before re-statement	As re-stated	Re - statement
Effect on Balance Sheet:			
Retirement and other benefits	197,383,148	169,330,678	(28,052,470)
Accumulated loss	3,776,842,529	3,748,790,059	(28,052,470)
Effect on Other Comprehensive Income:			
Actuarial gain recognised	-	17,893,789	17,893,789

	As at July 01, 2012		
	Before re-statement	As re-stated	Re - statement
Effect on Balance Sheet:			
Retirement and other benefits	173,286,315	163,127,634	(10,158,681)
Accumulated loss	3,346,259,712	3,336,101,031	(10,158,681)
Effect on Other Comprehensive Income:			
Actuarial gain recognised	-	10,158,681	10,158,681

Effect on profit and loss, earning per share and cash flows:

The restatement has no material impact on profit and loss earning per share and cash flows of company.

2.1.4 Standards, Amendments and Interpretations to Existing Standards that are not yet effective and have not been early adopted by the Company

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

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

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

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

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

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

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

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

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

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

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

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

2.2 Employees Retirement Benefits

(a) The company operates funded gratuity scheme for its all permanent employees. Such gratuity is payable on cessation of employment subject to a minimum qualifying period of five years service with the Company. Provision for gratuity is made in the financial statements to cover full obligation under the scheme.

The Company uses projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost and where applicable, past service cost.

Actuarial valuation was conducted on June 30, 2014 on the projected unit credit method using the following significant assumptions.

	2014	2013
Discount rate p.a	**13.25%**	10.50%
Expected p.a. rate of salary increase in future year	**12.25%**	9.50%
Expected rate of return on plan assets p.a	**10.50%**	13.00%

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19.

(b) The Company operates a funded contributory provident fund scheme for all eligible employees and contribution is based on the salaries of the employees and the liability is recognized in accounts on monthly basis.

2.3 Taxation

Current

Current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws. Company's export sales, if any, fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001.

Deferred

The Company accounts for deferred taxation using the liability method on all temporary differences between the amounts for financial reporting purpose and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

2.4 Property, Plant and Equipment

Operating fixed assets are stated at cost or revalued amount less accumulated depreciation except for freehold land which is stated at revalued amount.

Depreciation charge is based on reducing balance method at the rates specified in note **14**. Leasehold land for quarries are amortized over a period of 15-20 years.

Depreciation on additions to property, plant and equipment is charged for the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off. Maintenance and normal 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 profit and loss account.

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

2.5 Assets Subject to Finance Lease

These are recorded at the inception of lease at the value representing the lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Financial charges and depreciation on leased assets are charged to income currently.

2.6 Capital Work in Progress

Capital work in progress is stated at cost excluding impairment and including borrowing cost and represents expenditure incurred on fixed assets during their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.7 Stores, Spares and Loose Tools

These are valued at moving average cost except items in transit which are valued at cost accumulated upto the Balance Sheet date. The company reviews the carrying amount of stores, spares parts and loose tools on a regular basis and provision is made for obsolescence.

Notes.....

2.8 Stock in Trade

These are valued at lower of cost and net realizable value applying the following method:

Raw Materials	at weighted average cost.
Work in process and finished goods	at average cost covering direct material, labour and manufacturing overheads.

2.9 Foreign Currency Translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the Balance Sheet date.

The company charges all exchange differences to profit and loss account.

2.10 Financial Instruments

All financial assets and financial liabilities are recognized at cost or fair value at the time when the company becomes a party to the contractual provisions of the instrument. Gain or loss on derecognition of financial assets/liabilities is taken to Profit and Loss Account.

2.11 Offsetting of Financial Assets and Financial Liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.12 Trade Debts

Trade debts are recognised at invoice value. Provision for doubtful debts is based on managements assessment of customers' credit worthiness. Bad debts are written off when there is not realistic prospect of recovery.

Known bad debts are written off and provision is made for debts considered doubtful.

2.13 Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefit will flow to the company. Revenue is recognised net of any discount, rebates and commission.

- Sales are recorded on dispatch of goods to customers.
- Interest income is accounted for on 'accrual basis'.

2.14 Borrowing Cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing cost eligible for capitalisation. All other borrowing costs are recognised in profit and loss account as incurred.

Notes.....

2.15 Impairment

The carrying value of the company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exist the asset's recoverable amount is estimated and impairment losses are recognised in profit and loss account.

2.16 Related Party Transactions

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

2.17 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

2.18 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible a known amount of cash and which are subject to an insignificant risk of change in value.

2.19 Loans, Advances and Deposits

These are stated at cost less estimates made for doubtful receivables based on review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.20 Trade and Other Payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the company.

2.21 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision are measured at present value of expected expenditure, discounted at on pre-tax rate that reflects current market assessment of the time value of money and risk specific to the obligation.

2.22 Earnings Per Share

The company presents basic and diluted earnings per share(EPS).Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by using profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for the affects of all dilutive potential ordinary shares.

2.23 Functional and Presentation Currency

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

2.24 Corresponding Figures

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison and for better presentation. However, there is no material rearrangement to report.

2.25 General

Figures in these financial statements have been rounded off to the nearest Rupee.

	Note	2014 Rupees	2013 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
86,089,980 (2013: 86,089,980) ordinary shares of Rs.10/- each fully paid in cash		**860,899,800**	860,899,800
8,750,000 (2013: 8,750,000) ordinary shares of Rs.10/- each issued as fully paid bonus shares		**87,500,000**	87,500,000
		948,399,800	948,399,800
4. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance as at July 01,		**1,065,253,220**	1,101,477,782
Less:			
- Incremental depreciation due to revaluation of fixed assets		**(35,143,323)**	(36,224,562)
Balance as at June 30,		**1,030,109,897**	1,065,253,220

Revaluation of freehold land, buildings, plant & machinery and vehicles was carried out in year 2002 and 2007, referred to in note 14.2 to the financial statements produced a surplus of Rs. 1,843.8 million and Rs. 685.61 million respectively. These amounts were credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

5. LOAN FROM BANKING COMPANIES- Secured

	Note	2014 Rupees	2013 Rupees
The Bank of Punjab Limited			
Demand finance facility - 1	5.1	**1,157,094,073**	-
Demand finance facility - 2	5.2	**188,464,710**	-
Demand finance facility	5.5	**-**	750,000,000
Bridge finance facility	5.6	**-**	270,000,000
		1,345,558,783	1,020,000,000
Less current portion:			
Payable within next 12 months		**(2,441,000)**	-
		1,343,117,783	1,020,000,000

	Note	2014 Rupees	2013 Rupees
5.1 Demand facility 1			
Balance as at July 01,		-	-
Rescheduling of Demand Finance Facility and Bridge Finance Facility	5.3	1,161,174,073	-
		1,161,174,073	-
Less : payments made during the year		(4,080,000)	-
		1,157,094,073	-
5.2 Demand facility 2			
Balance as at July 01,		-	-
Markup on Demand Finance Facility and Bridge Finance Facility	5.4	188,464,710	-
		188,464,710	-

5.3 This represents restructured/rescheduled of entire outstanding principal amount of demand finance, bridge finance, forced demand finance and paid against documents (PADs) amounting Rs. 750.292 million, Rs. 270 million, Rs. 83.626 million and Rs. 57.256 million respectively. It is secured against ranking of Rs.1,443.75 million on fixed assets, joint pari passu charge of Rs. 268 million on current assets, debt subordination agreement of directors, corporate guarantee of Three Star Hosiery Mills (Pvt) Limited and personal guarantee of the sponsor directors.

Repayments of restructured loan shall be made in 62 step-up monthly/quarterly installments started from March 31, 2014 in a period of 9.25 years. Mark-up is payable @ 4% per annum.

Further, litigation with the bank as referred to note 5.7 in respect of recovery of loan and finance cost has been adjourned temporarily and finally withdrawn after completion of necessary formalities and fulfillment of settlement terms for one year.

5.4 This represents cost of funds (COF) amounting Rs. 695.883 million upto March 31, 2014 in respect of demand finance, bridge finance, forced demand finance, paid against documents (PADs) and finance against imported merchandise (FIM) facilities. The finance has been initially presented at fair value by using effective rate of markup. It does not carry markup. Repayments of this facility shall be made in 4 quarterly installments, starting from September, 2022.

5.5 The loan was originally repayable in 28 equal quarterly installments of Rs. 26.786 million each with one year grace period from the date of disbursement. Mark up was chargeable @ 3 month KIBOR + 400 BPS per annum (2013: 3 months KIBOR + 400 BPS per annum) with no floor and no cap, payable quarterly in arrears. The rate was set at the end of quarter by adopting KIBOR of last working day of each quarter. The facility was secured by 1st pari pasu charge over fixed assets for Rs.1,443.75 million and joint collateral guarantee of its holding company and directors. during the year this loan has been restructured as finance facility-1 as referred to note 5.3

5.6 Mark up was chargeable @ 3 month KIBOR + 300 BPS per annum (2013: 3 month KIBOR + 300 BPS per annum) with no floor and no cap, payable quarterly in arrears. The rate was set at the end of quarter by adopting KIBOR of last working day of each quarter. The facility was secured by 1st pari pasu charge over fixed assets for Rs.1,443.75 million and joint collateral guarantee of its holding company and directors.

5.7 The company has filed a suit in the Honorable Lahore High Court, Lahore against BOP for declaration, permanent injunction, discharge, cancellation of documents, redemption of property and damages to the tune of Rs.1,926.00 million on account of various breaches of its obligation committed by BOP. BOP has also filed its PLA in the same and the matter is pending adjudication before the Honorable Lahore High Court. BOP has instituted a suit against the company for recovery of Rs. 1,626.625 million along with markup / Cost of funds in the Lahore High Court, Lahore. PLA on behalf of the company has been filed against the same and the matter is pending adjudication. The company has accounted for mark up on the above loans.

	Note	2014 Rupees	2013 Rupees
6. OTHER LOANS AND LIABILITIES- Unsecured			
LOANS			
Economic Affairs Division, Government of Pakistan (EAD)	6.1	**35,232,000**	35,232,000
OTHER LIABILITIES			
Provident Fund Trust	6.2	**55,030,316**	58,530,316
Peace agreement arrears	6.3	**14,672,444**	18,843,095
		69,702,760	77,373,411
		104,934,760	112,605,411
Less current portion:			
Payable within next 12 months		**9,205,852**	12,364,882
Overdue		**69,712,578**	62,245,979
	12	**78,918,430**	74,610,861
		26,016,330	37,994,550

6.1 (a) This represents the balance of Pak rupee loan of Rs.340.841 million originally advanced in 1984 in Japanese Yen to the State Cement Corporation of Pakistan (Private) Limited (SCCP). The loan was taken over by the Company under the clause 14 of the Sale Agreement dated May 23, 1992 as payable in local currency to the EAD. The company provided Bank Guarantee from Habib Bank Limited (HBL) to cover the outstanding liability at the time of sale. The company has requested EAD for grant of further time for payment of overdue installments.

The amount of the original loan was Japanese Yen 5,199,457,960 carrying interest @ 8.5% p.a. and was payable in 37 bi-annual installments on March 20 and September 20 with effect from March 10, 1984. Effective April 21, 1987 the yen loan was converted into Pak rupee loan at exchange rate of 1 Yens=0.122111 Pak Rupee carrying interest @ 11% and exchange risk fee @ 3% per annum payable to the EAD in 30 equal half yearly installments commencing from September 10, 1987, to be settled by March 20, 2002.

(b) After taking over the control and management, the new management at that time arranged payment of Rs.133.908 million to the EAD, through Habib Bank Ltd for payment of outstanding balance and requested for restructuring of this loan. The competent authority has accorded its approval for restructuring of the loan amounting to Rs.132.44 million and balance have been waived. The Principal alongwith mark up @ 14% p.a. (11% mark up and 3% exchange risk fee) is to be repaid in ten equal half yearly installments effective July 2004. The rescheduled amount is to be secured by bank guarantee in favour of EAD.

6.2 The Securities & Exchange Commission of Pakistan (SECP) had passed an order on August 13, 2009 that the company should provide mark-up on all outstanding principal amount to that date and will pay an installment of Rs.0.5 million per month to clear these dues from October, 2009. Since that order, company is providing markup in the books of accounts without any default. Due to continuity of the financial crunch in past years, company had paid only Rs.1.7 million upto May, 2013. However, after resumption of operations in December, 2013 and stability of cash flows, the company has started the compliance of SECP order and regularly paying its monthly installments. Upto the signing of these financial statements company has paid 12 monthly installments of Rs.0.5 million each.

6.3 This represents arrears payable to workers on account of increments on salaries for the financial years ended on June 30, 2007, June 30, 2008 and June 30, 2009.As per peace agreement with CBA union dated May 09, 2009 the arrears are payable in 72 equal monthly installments of Rs. 530,407 payable along with the monthly salary payments. It is interest free and unsecured.

Notes.....

	Note	2014 Rupees	2013 Rupees
7. DEFERRED LIABILITIES			
Deferred taxation	7.1	**-**	-
		-	-

7.1 Deferred taxation

This is composed of the following:

	2014 Rupees	2013 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
Accelerated tax depreciation	**618,222,498**	631,896,405
Deferred tax asset on deductible temporary differences arising in respect of:		
Unused tax losses carried forward	**(1,079,334,354)**	(916,783,602)
Provision for doubtful balances	**(749,207)**	(771,910)
	(1,080,083,561)	(917,555,512)
Deferred tax(asset)/ liability	**(461,861,063)**	(285,659,107)

Deferred tax asset amounting to Rs.461.861 million (2013: Rs.285.659 million) on unused tax losses, has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be re-assessed as at June 30, 2015.

	Note	2014 Rupees	2013 Rupees
8. LONG TERM ADVANCES AND DEPOSITS			
Un-secured - Interest free			
Security deposits	8.1	**1,852,334**	1,502,334
Retention money		**29,979**	29,979
		1,882,313	1,532,313

8.1 These represent securities from distributors and contractors. These are being utilized by the company as authorized by the agreement with parties or deposited with separate bank account in compliance with section 226 of the Companies Ordinance, 1984.

	Note	2014 Rupees	2013 Rupees (Re-stated)
9. TRADE AND OTHER PAYABLES			
Trade creditors		**589,717,048**	261,568,720
Accrued expenses		**546,184,846**	557,285,533
Due to Gratuity Fund Trust	9.1	**180,584,091**	169,330,678
Due to Provident Fund Trust		**56,781,225**	48,755,755
Past Dues - CBA	9.2	**1,245,225**	1,320,525
Excise duty		**184,317,167**	275,976,202
Royalty		**5,942,497**	3,485,967
Sales tax		**137,306,725**	171,630,526
Workers' profit participation fund	9.3	**30,806,200**	30,317,054
Unclaimed dividend		**1,081,940**	1,081,940
Income tax withheld		**34,038,256**	31,899,752
Advances from customers		**57,853,182**	80,190,192
Others		**114,576,690**	15,035,786
		1,940,435,092	1,647,878,630

	2014 Rupees	2013 Rupees (Re-stated)
9.1 Gratuity		
Net liability as on July 01	**169,330,678**	163,127,634
Charge to profit and loss account	**16,489,933**	24,121,833
Remeasurement chargeable in other comprehensive income	**(5,155,734)**	(17,893,789)
Payment to fund during the year	**(80,786)**	(25,000)
Net liability as on June 30,	**180,584,091**	169,330,678
The amount recognized in the balance sheet is as follows		
Fair value of plan assets	**(182,007)**	(178,921)
Present value of defined benefit obligation	**135,578,196**	134,346,485
Deficit	**135,396,189**	134,167,564
Payable to outgoing members	**45,187,902**	35,163,114
Net liability as on June 30,	**180,584,091**	169,330,678
The amount recognized in profit and loss account is as follows		
Current service cost	**2,932,882**	5,970,864
Interest cost	**13,575,838**	18,179,145
Expected return on plan assets	**(18,787)**	(28,176)
Total amount chargeable to profit and loss account	**16,489,933**	24,121,833
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation	**134,346,485**	139,839,578
Current Service cost	**2,932,882**	5,970,864
Interest cost	**13,575,838**	18,179,145
Benefits paid	**(80,786)**	-
Benefits due but not paid	**(10,024,788)**	(11,683,316)
Actuarial (gain)/loss	**(5,171,435)**	(17,959,786)
Present value of defined benefit obligations as on June 30,	**135,578,196**	134,346,485
The movement in the fair value of plan Assets is as follows		
Fair value of plan assets as on July 01,	**178,921**	216,742
Expected return on plan assets	**18,787**	28,176
Contributions	**80,786**	25,000
Benefits paid	**(80,786)**	(25,000)
Actuarial (loss)/gain	**(15,701)**	(65,997)
Fair value of plan assets as on June 30,	**182,007**	178,921

Notes.....

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for the current year and last four years is as follows:

	Present value of defined Benefit	Fair value of plan assets	Surplus / (Deficit)
	-------------------R	u p e e	s------------------
Year ended June 30, 2014	(135,578,196)	(182,007)	(135,760,203)
Year ended June 30, 2013	(134,346,485)	(178,921)	(134,525,406)
Year ended June 30, 2012	(139,839,578)	(216,742)	(140,056,320)
Year ended June 30, 2011	(137,364,954)	208,329	(137,156,625)
Year ended June 30, 2010	(130,771,246)	201,427	(130,569,819)

9.2 This represents the amounts payable for the closure period of the factory on account of accumulated salaries and benefits, one day deduction and legal expenses payable to the employees and CBA for which a mutual agreement had been executed between the management and the CBA at the time of take over of the factory in 2000 by the then management.

		2014 Rupees	2013 Rupees
9.3	Workers' profit participation fund		
	Balance as at July 01,	**3,780,109**	3,780,109
	Less: payments during the year	**-**	-
		3,780,109	3,780,109
	Interest on unpaid contribution	**27,026,091**	26,536,945
		30,806,200	30,317,054

9.4 During the audit, balance confirmation requests were circulated to various parties for direct balance confirmation of loans and advances aggregating Rs. 520.687 million including long term advances and deposits as referred to note no.8. Balance confirmed through alternative procedures amounting Rs. 57.809 million by the auditors and direct balance confirmations received upto date of issuance of financial statements amounting Rs. 441.418 million.

10. MARK UP ACCRUED

	2014 Rupees	2013 Rupees
Mark up accrued on:		
Secured loan	**395,554,449**	614,840,897
Unsecured loan	**118,540,370**	97,756,636
	514,094,819	712,597,533

10.1 This represents the mark up payable on loans obtained from the banking companies and Economic Affairs Division (EAD) amounting Rs. 395.554 million and Rs. 32.739 million respectively.

11. SHORT TERM BORROWINGS

	Note	2014 Rupees	2013 Rupees
FINANCIAL INSTITUTION			
Running finances - secured			
KASB Bank Limited	11.1	**290,000,000**	290,000,000
Others - Secured			
The Bank of Punjab		**-**	57,256,073
The Bank of Punjab		**-**	83,600,000
	11.2	**-**	140,856,073
Ex-Sponsors' Loan	11.3	**250,000,000**	250,000,000
Loan from Related Parties - unsecured			
Holding Company	11.4	**37,804,256**	37,804,256
Director-interest free	11.5	**37,065,450**	37,065,450
Others-interest free	11.6	**25,516,375**	25,516,375
		100,386,081	100,386,081
OTHERS			
Opening		**118,309,301**	-
Inject During the year		**427,003,446**	118,309,301
		1,185,698,828	899,551,455

11.1 This represents finance facility against the limit of Rs.290 million (2013: Rs.290 million). It carries mark up @ six months KIBOR plus 3% per annum (2013: 6 months KIBOR + 3% per annum) payable on quarterly basis with no floor and cap. The facility was to be repaid in bullet repayment on September 30, 2007. The facility is secured by 1st pari passu charge on plant and machinery of the company amounting Rs.400 million and lien over deposit of Rs.176.5 million in saving account of Mr. Tauseef Peracha and Mr. A. Rafique Khan (Ex-Management).

KASB has instituted a suit against the company for recovery of Rs.351,732,336 along with markup / cost of funds in the Honourable Lahore High Court, Lahore. PLA on behalf of the company has been filed against the same and the matter is pending adjudication.

11.2 The Bank Of Punjab has rescheduled/restructured the entire outstanding principal amount as explained in note no.5.3 to the financial statements.

11.3 This represents loan received from Ex-management Mr. A. Rafique Khan and Mr. Tausif Peracha . It is interest free, unsecured . Terms and conditions related to the loan have not been reduced in writing.

11.4 This represents interest free and unsecured loan from holding company, Three Stars Cement (Pvt) Ltd. The terms and conditions of the repayment of loan have not yet been finalized and have not been reduced in writing.

11.5 This represents Rs. 37.065 million injected by the director, Mr. Mansoor Rasheed to meet the working capital requirements of the company in the year 2010 , 2011. This is interest free loan and repayment of such loan is subject to availability of cash.

11.6 This represents loan from Three Star Hosiery (Private) Limited and Active Apparel International (Private) Limited amounting of Rs.13,721,332 and Rs.11,795,043 (2013: 13,721,332 and Rs.11,795,043) respectively. These are interest free loans and repayment of such loans is subject to availability of cash.

11.7 This is interest free amount injected from time to time to meet the working capital requirements of the company and maintenance of plant and machinery. The terms and conditions of repayment of such loan have not yet been finalized and not reduced in writing.

	Note	2014 Rupees	2013 Rupees
12. CURRENT PORTION OF LONG TERM LOANS AND LIABILITIES			
Loan from banking companies		**2,441,000**	-
Other loans	6	**78,918,430**	74,610,861
		81,359,430	74,610,861

13. CONTINGENCIES AND COMMITMENTS

Contingencies

a) Company is in litigation with some suppliers/workers and their relatives . The matter is pending for decision in Court. Company's exposure in respect of these cases could be Rs.17,504,646 (2013: Rs.23,704,456).

b) Sui Northern Gas Pipelines Ltd., (SNGPL) has charged the excess gas bill amounting to Rs.37.90 million in 2006. On complaint lodged with the Oil & Gas Regulatory Authority (OGRA) against excessive billing by SNGPL, the matter was decided in favour of the company. SNGPL has filed an appeal against the said decision of OGRA. The appeal has also been adjudicated by OGRA in favour of the company. However, the SNGPL has recovered the aforesaid amount as stated in para (d) of this note.

c) SNGPL has charged mark up on late payment of the gas bills in the past at the rate which was in excess of the rate agreed in the Gas Sale Agreement (GSA). The company filed a complaint with the OGRA, who decided the matter and directed SNGPL to recompute mark up on late payment as per original GSA. SNGPL recomputed mark up amounting to Rs.10.312 million, as against Rs.2.729 million computed by the company. The matter has again been referred to OGRA for their decision. However, company has accounted for Rs.2.729 million as liability. However, the SNGPL has recovered the aforesaid amount as stated in para (d) of this note.

d) In June 2008 Sui Northern Gas Pipelines Ltd., (SNGPL) has charged the excess gas bill amounting to Rs.18.536 million. Company has lodged complaint with the review committee of Sui Northern Gas Pipelines Ltd., (SNGPL) which gave its decision that the disputed bill is correct.

On January 23, 2009 the SNGPL encashed bank guarantee of Rs.88 million against arrears of gas bills including as mentioned in 14(b),14(c) in previous paragraphs. Till June 30, 2009 total arrears amounting Rs.35.380 million are outstanding against the company which have not been accounted for in the financial statements due to dispute with the SNGPL. Application filed by SNGPL in Civil Court and the same has been dismissed due to non prosecution of case. SNGPL filed an application for restoration of case which is pending adjudication.

e) During the year ended June 30, 2008 Pakistan Standards and Quality Control Authority (PSQCA) refused to renew the CM License of the company and raised a demand of Rs. 1.94 million on account of marking fee for the period from June 1992 to June 2007. The company paid Rs.851,708 towards the demand raised by PSQCA during June 30, 2008. The company filed an appeal before the Additional District Judge, Lahore against PSQCA. The court decided the matter that renewed license should be issued and claim for recovery of outstanding balance shall be dealt with separately. Subsequent to the balance sheet date petition filed by PSQCA was dismissed due to non prosecution of the case. However, an application has also been filed by PSQCA for restoration of case which is pending adjudication.

f) Competition Commission of Pakistan (the Commission), vide order dated August 27, 2009, has imposed penalty on 20 cement factories of Pakistan at the rate of 7.5% of the turnover value as disclosed in the last annual financial statements. The Commission has imposed penalty amounting Rs. 41.71million on the company for alleged violation of section 4(1) of the Competition Commission Ordinance, 2007. The cement manufacturers including company challenged the commission order in the court and Honourable High Court granted stay to the companies against adverse action by the commission. Based on legal advice the company has not accounted for the liability of aforesaid amount.

g) The company has not accounted for Rs. 368,685,713 (2013:Rs.316,825,000) additional profit/liquidated damages on the loan payable to KASB Bank Limited as the matter is subjudice with the Honorable Lahore High Court referred to note no.11.1 in the financial statements.

h) The Deputy Commissioner Inland Revenue determined sales tax and federal excise duty liability of the company amounting Rs 2,634,984 (2013: Rs2,634,984) on account of inadmissible input tax and non payment of output sales tax along with surcharge and penalty. The company had filed appeal against the order of Deputy Commissioner Inland Revenue Appeals. Subsequent to the balance sheet the Commissioner (Appeals) decided the case against the company. The company has filed appeal against the decision of the Commissioner(Appeals) with Appellate Tribunal Inland Revenue. Consequently, the company has not accounted for liability of aforesaid amount. The company has also filed a petition subsequent to the balance sheet date in the Lahore High Court against the recovery of aforesaid amount. The same has been accepted in the favour of the company.

Commitments	Note	**2014 Rupees**	2013 Rupees
Atlas Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.	13.1	**1,500,000**	1,500,000
United Bank Limited has issued Bank Guarantee in favour of Department of Mines & Minerals Government of Punjab.	13.2	**139,165**	139,165

13.1 This guarantee was secured by lien in favour of Atlas Bank Ltd on PLS TDR amounting Rs.1,500,000 (2013: Rs. 1,500,000).

13.2 This guarantee was secured by lien in favour of United Bank Ltd on PLS TDR amounting Rs.140,000 (2013: Rs. 140,000).

13.3 The company has issued post dated cheques in favour of LTU's against rescheduling of Sales Tax and Excise duty payable amounting Rs. 316,734,551 (2013: Rs. Nil).

Notes.....

14. OPERATING FIXED ASSETS

PARTICULARS	COST / REVALUATION					DEPRECIATION						Book Value
	As at July 01, 2013	Additions	Deletions	Adjustment	As at June 30, 2014	Rate %	As at July 01, 2013	For the year	On disposals	Adjustment	As at June 30, 2014	as at June 30, 2014
OWNED												
Free hold land												
Cost	52,591,805	-	-	-	52,591,805	-	-	-	-	-	-	52,591,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	-	20,389,552
	72,981,357	-	-	-	72,981,357	-	-	-	-	-	-	72,981,357
Quarry on lease hold land	1,330,978	-	-	-	1,330,978	20 Yrs.	1,101,011	66,549	-	-	1,167,560	163,418
Building on free hold land												
Factory :												
Cost	188,292,137	3,175,071	-	-	191,467,208	10	168,098,565	2,045,816	-	-	170,144,381	21,322,827
Revaluation (2002)	86,898,282	-	-	-	86,898,282	10	60,310,421	2,658,786	-	-	62,969,207	23,929,075
Revaluation (2007)	6,903,666	-	-	-	6,903,666	10	3,234,776	366,889	-	-	3,601,665	3,302,001
	282,094,085	3,175,071	-	-	285,269,156		231,643,762	5,071,491	-	-	236,715,253	48,553,903
Office :												
Cost	17,527,908	-	-	-	17,527,908	5	13,723,624	190,214	-	-	13,913,838	3,614,070
Revaluation (2002)	13,645,216	-	-	-	13,645,216	5	5,980,834	383,219	-	-	6,364,053	7,281,163
Revaluation (2007)	1,248,858	-	-	-	1,248,858	5	330,833	45,901	-	-	376,734	872,124
	32,421,982	-	-	-	32,421,982		20,035,291	619,334	-	-	20,654,625	11,767,357
Residential :												
Cost	38,550,278	-	-	-	38,550,278	10	36,121,391	242,889	-	-	36,364,280	2,185,998
Revaluation (2002)	27,545,216	-	-	-	27,545,216	10	19,117,335	842,788	-	-	19,960,123	7,585,093
Revaluation (2007)	19,571,075	-	-	-	19,571,075	10	9,170,203	1,040,087	-	-	10,210,290	9,360,785
	85,666,569	-	-	-	85,666,569		64,408,929	2,125,764	-	-	66,534,693	19,131,876
Machinery												
Cost	1,190,383,914	90,302,696	-	16,485,994	1,264,200,616	3	911,149,652	9,780,109	-	6,485,994	914,443,767	349,756,849
Transfer From Lease assets	60,441,960	-	-	-	60,441,960	3	44,220,350	486,648	-	-	44,706,998	15,734,962
Revaluation (2002)	1,656,058,629	-	-	10,278,517	1,645,780,112	3	649,368,551	30,073,003	-	3,072,635	676,368,919	969,411,193
Revaluation (2007)	648,188,836	-	-	5,005,893	643,182,943	3	108,265,681	16,124,724	-	888,246	123,502,159	519,680,784
	3,555,073,339	90,302,696	-	31,770,404	3,613,605,631		1,713,004,234	56,464,484	-	10,446,875	1,759,021,843	1,854,583,788
Office Equipment	9,520,800	1,014,200	-	-	10,535,000	10	6,304,747	362,074	-	-	6,666,821	3,868,179
Furniture & Fixture	7,394,634	-	-	-	7,394,634	10	6,416,991	97,764	-	-	6,514,755	879,879
Heavy Vehicles												
Cost	94,912,875	-	-	-	94,912,875	20	93,875,788	207,417	-	-	94,083,205	829,670
Revaluation (2002)	24,418,997	-	-	-	24,418,997	20	22,426,299	398,540	-	-	22,824,839	1,594,158
Revaluation (2007)	8,407,158	-	-	-	8,407,158	20	6,186,344	444,163	-	-	6,630,507	1,776,651
	127,739,030	-	-	-	127,739,030		122,488,431	1,050,120	-	-	123,538,551	4,200,479
Light Vehicles												
Cost	29,826,347			-	29,826,347	20	25,170,342	931,201		-	26,101,543	3,724,804
Transfer from leased assets*	649,000	-	-	-	649,000	20	613,354	7,129	-	-	620,483	28,517
Revaluation (2002)	4,571,974	-	-	-	4,571,974	20	4,198,881	74,619	-	-	4,273,500	298,474
	35,047,321	-	-	-	35,047,321		29,982,577	1,012,949	-	-	30,995,526	4,051,795
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,356,813	18,488	-	-	1,375,301	351,273
Electric Installation	38,956,612	-	280,000	-	38,676,612	10	36,325,760	257,800	222,831	-	36,360,729	2,315,883
Weighing Scales	80,958	-	-	-	80,958	10	75,627	533	-	-	76,160	4,798
Library Books	72,403	-	-	-	72,403	10	67,450	495	-	-	67,945	4,458
	4,250,106,642	94,491,967	280,000	31,770,404	4,312,548,205	-	2,233,211,623	67,147,845	222,831	10,446,875	2,289,689,762	2,022,858,443

Vehicles include a Shehzor Mazda of amounting Rs. 649,000 is not in the name of the company due to that bank is unable to trace the relevant record of aforesaid vehicle. Consequently bank did not issue no objection certificate(N.O.C) for transfer of vehicle in the name of company.

		Note	2014 Rupees	2013 Rupees
14.1	**Depreciation for the year has been allocated as under:**			
	Cost of sales	25	**64,162,707**	65,707,445
	Distribution cost	26	**110,456**	112,489
	Administrative expenses	27	**2,874,683**	3,194,203
			67,147,846	69,014,137

14.2 Land, Buildings, Plant & Machinery, and Vehicles of the Company were first revalued on April 01, 2002, resulting in surplus of Rs. 1,843.8 million. The second revaluation was carried out on June 30, 2007, by M/s Surval, recognised valuation consultant and its report was verified by M/s Ilyas Saeed & Co., Chartered Accountants. Valuation of building, plant and machinery and heavy vehicles was carried out on the basis of Depreciated Replacement Value. This revaluation has created a surplus of Rs.685.61 million.

14.3 Had there been no revaluation the related figures of Buildings, Plant & Machinery and Vehicles at June 30, 2013 would have been as follows :

Particulars	Cost as at June 30, 2014	Accumulated Depreciation upto June 30, 2014	Net Book Value as on June 30, 2014
	------------------ R	u p e e	s ------------------
Buildings			
Factory	191,467,208	170,144,381	21,322,827
Office	17,527,908	13,913,838	3,614,070
Residential	38,550,278	36,364,280	2,185,998
Plant and Machinery	1,324,642,576	959,150,765	365,491,811
Heavy Vehicles	94,912,875	94,083,205	829,670
Light Vehicles	30,475,347	26,722,026	3,753,321
	1,697,576,192	1,300,378,495	397,197,697
2013 Rupees	**1,559,493,459**	**1,247,939,137**	**311,554,322**

14.4 OPERATING FIXED ASSETS

PARTICULARS	COST / REVALUATION					DEPRECIATION						Book Value
	As at July 01, 2012	Additions	Deletions	Adjustment	As at June 30, 2013	Rate %	As at July 01, 2012	For the year	On disposals	Adjustment	As at June 30, 2013	as at June 30, 2013
OWNED												
Free hold land												
Cost	52,591,805	-	-	-	52,591,805	-	-	-	-	-	-	52,591,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	-	20,389,552
	72,981,357	-	-	-	72,981,357	-	-	-	-	-	-	72,981,357
Quarry on lease hold land	1,330,978	-	-	-	1,330,978	20 Yrs.	1,034,462	66,549	-	-	1,101,011	229,967
Building on free hold land												
Factory :												
Cost	188,292,137	-	-	-	188,292,137	10	165,854,835	2,243,730	-	-	168,098,565	20,193,572
Revaluation (2002)	86,898,282	-	-	-	86,898,282	10	57,356,214	2,954,207	-	-	60,310,421	26,587,861
Revaluation (2007)	6,903,666	-	-	-	6,903,666	10	2,827,121	407,655	-	-	3,234,776	3,668,890
	282,094,085	-	-	-	282,094,085	30	226,038,170	5,605,592	-	-	231,643,762	50,450,323
Office :												
Cost	17,527,908	-	-	-	17,527,908	5	13,523,399	200,225	-	-	13,723,624	3,804,284
Revaluation (2002)	13,645,216	-	-	-	13,645,216	5	5,577,445	403,389	-	-	5,980,834	7,664,382
Revaluation (2007)	1,248,858	-	-	-	1,248,858	5	282,516	48,317	-	-	330,833	918,025
	32,421,982	-	-	-	32,421,982	15	19,383,360	651,931	-	-	20,035,291	12,386,691
Residential :												
Cost	38,550,278	-	-	-	38,550,278	10	35,851,515	269,876	-	-	36,121,391	2,428,887
Revaluation (2002)	27,545,216	-	-	-	27,545,216	10	18,180,904	936,431	-	-	19,117,335	8,427,881
Revaluation (2007)	19,571,075	-	-	-	19,571,075	10	8,014,551	1,155,652	-	-	9,170,203	10,400,872
	85,666,569	-	-	-	85,666,569	30	62,046,970	2,361,959	-	-	64,408,929	21,257,640
Machinery												
Cost	1,190,383,914	-	-	-	1,190,383,914	3	902,513,541	8,636,111	-	-	911,149,652	279,234,262
Transfer From Lease assets	60,441,960	-	-		60,441,960	3	43,718,651	501,699	-	-	44,220,350	16,221,610
Revaluation (2002)	1,656,058,629	-	-	-	1,656,058,629	3	618,233,806	31,134,745	-	-	649,368,551	1,006,690,078
Revaluation (2007)	648,188,836	-	-	-	648,188,836	3	91,567,027	16,698,654	-	-	108,265,681	539,923,155
	3,555,073,339	-	-	-	3,555,073,339	12	1,656,033,025	56,971,209	-	-	1,713,004,234	1,842,069,105
Office Equipment	9,371,300	149,500	-	-	9,520,800	10	5,948,232	356,515	-	-	6,304,747	3,216,053
Furniture & Fixture	7,261,334	133,300	-	-	7,394,634	10	6,308,364	108,627	-	-	6,416,991	977,643
Heavy Vehicles												
Cost	94,912,875	-	-	-	94,912,875	20	93,616,516	259,272	-	-	93,875,788	1,037,087
Revaluation (2002)	24,418,997	-	-	-	24,418,997	20	21,928,125	498,174	-	-	22,426,299	1,992,698
Revaluation (2007)	8,407,158	-	-	-	8,407,158	20	5,631,141	555,203	-	-	6,186,344	2,220,814
	127,739,030	-	-	-	127,739,030	60	121,175,782	1,312,649	-	-	122,488,431	5,250,599
Light Vehicles												
Cost	29,826,347			-	29,826,347	20	24,006,341	1,164,001		-	25,170,342	4,656,005
Revaluation (2002)	4,571,974	-	-	-	4,571,974	20	4,105,608	93,273	-	-	4,198,881	373,093
Transfer from leased assets*	649,000	-	-	-	649,000	20	604,442	8,912	-	-	613,354	35,646
	35,047,321	-	-	-	35,047,321	60	28,716,391	1,266,186	-	-	29,982,577	5,064,744
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,337,352	19,461	-	-	1,356,813	369,761
Electric Installation	38,956,612	-	-	-	38,956,612	10	36,033,443	292,317	-	-	36,325,760	2,630,852
Weighing Scales	80,958	-	-	-	80,958	10	75,035	592	-	-	75,627	5,331
Library Books	72,403	-	-	-	72,403	10	66,900	550	-	-	67,450	4,953
	4,249,823,842	**282,800**	**-**	**-**	**4,250,106,642**	**-**	**2,164,197,486**	**69,014,137**	**-**	**-**	**2,233,211,623**	**2,016,895,019**

Vehicles include a Shehzor Mazda of amounting Rs. 649,000 is not in the name of the company due to that bank is unable to trace the relevant record of aforesaid vehicle. Consequently bank did not issue no objection certificate(N.O.C) for transfer of vehicle in the name of company.

	Note	2014 Rupees	2013 Rupees
15. LONG TERM LOANS - Considered good			
Other Employees			
House building		**2,406**	8,997
Special loans		**8,000**	12,400
		10,406	21,397
		10,406	21,397
Less: Current portion recoverable within one year	20	**7,606**	17,352
		2,800	4,045

15.1 Terms of repayment for Staff Loans.
These are interest free and secured.

15.2 Interest free loans have not been discounted as required by IAS 39 as amount involved is immaterial.

	2014 Rupees	2013 Rupees
16. LONG TERM SECURITY DEPOSITS		
Islamabad Electric Supply Company	**9,486,000**	9,486,000
Others	**1,188,715**	888,715
	10,674,715	10,374,715
17. STORES, SPARES AND LOOSE TOOLS		
General stores	**66,115,537**	34,773,578
Spare parts	**81,729,592**	82,996,547
Loose tools	**1,195,544**	979,293
	149,040,673	118,749,418
18. STOCK IN TRADE		
Raw material	**8,629,720**	1,783,322
Work in process	**164,261,184**	201,891,341
Finished goods	**43,226,289**	13,351,097
	216,117,193	217,025,760
19. TRADE DEBTS	**56,744,918**	3,038,538

These are unsecured but considered good by the management.

	Total	Neither past due nor impaired	past due but not impaired		
			1-90 days	90-180 days	More than 180 days
2014	**56,744,918**	**-**	**54,539,117**	**16,636**	**2,189,165**
2013	3,038,538	-	-	-	3,038,538

	Note	2014 Rupees	2013 Rupees
20. LOANS AND ADVANCES			
Loans			
Considered good:			
Current portion of long term loans to employees	15	**7,606**	17,352
To past associated company			
- Gharibwal Cement Limited (GCL)		**250,000,000**	250,000,000
Loan to employees		**19,129,763**	16,722,147
		269,137,369	266,739,499
Considered doubtful:			
Loan to employees		**1,623,323**	1,623,323
		270,760,692	268,362,822
Advances			
Considered good:			
To employees		**845,558**	934,373
To suppliers / contractors		**22,235,986**	36,830,156
		23,081,544	37,764,529
Considered doubtful:			
To employees		**647,000**	647,000
To suppliers / contractors		**-**	-
		647,000	647,000
		23,728,544	38,411,529
		294,489,236	306,774,351
Less: Provision for doubtful loans and advances	20.1	**2,270,323**	2,270,323
Loan and advances written off		**-**	(30,225,198)
		292,218,913	274,278,830

20.1 Provision for doubtful loans and advances

	2014 Rupees	2013 Rupees
Balance as at July 01	**2,270,323**	3,220,170
Provision for the year	**-**	10,330
	2,270,323	3,230,500
Reversal of provision for doubtful balances	**-**	(960,177)
	2,270,323	2,270,323

20.2 During the audit, balance confirmation requests were circulated to various parties for direct balance confirmation of loans and advances aggregating Rs. 67.834 million including long term loans, long term security deposits, trade debts, interest accrued on loan to past associated company and other receivable as referred to note no.15, 16, 19, 22 and 23 respectively. Balance confirmed through alternative procedures amounting Rs. 36.569 million by the auditors and direct balance confirmations received upto date of issuance of financial statements amounting Rs. 17.217 million.

21. BALANCES WITH STATUTORY AUTHORITIES

	2014 Rupees	2013 Rupees
Income tax due from the Government	**69,894,939**	37,485,467
	69,894,939	37,485,467

22. INTEREST ACCRUED

	2014 Rupees	2013 Rupees
Interest accrued on loan to Gharibwal Cement Limited (GCL)	**9,388,556**	9,388,556
	9,388,556	9,388,556

Notes.....

	Note	2014 Rupees	2013 Rupees
23. OTHER RECEIVABLES			
Other receivables:			
Considered good		**386,967**	386,967
Considered doubtful		**-**	-
		386,967	386,967
Provision for doubtful receivables	23.1	**-**	-
		386,967	386,967
23.1 Provision for doubtful receivables			
Balance as at July 01		**-**	55,844
Provision for the year		**-**	-
		-	55,844
Reversal of provision		**-**	(55,844)
		-	-
24. CASH AND BANK BALANCES			
Cash in hand		**215,480**	75,729
Cash at banks in:			
Current accounts		**34,638,686**	925,897
Saving accounts		**3,351,917**	48,817
Deposit accounts	24.1	**2,256,705**	2,151,285
		40,247,308	3,125,999
		40,462,788	3,201,728

24.1 It includes a separate bank account amounting Rs. 1.5 million (2013: Rs. 1.5 million), in compliance with requirements of Section 226 of the Companies Ordinance, 1984.

24.2 Profit and loss sharing accounts bear mark up at the rates ranging from 7% to 10% (2013: 7% to 10%) per annum.

	Note	2014 Rupees	2013 Rupees
25. COST OF SALES			
Raw materials consumed	25.1	**96,480,269**	40,198,725
Salaries, wages and benefits	25.2	**181,277,300**	166,248,329
Fuel, gas and electricity		**861,574,435**	280,390,389
Stores and spares		**96,939,395**	45,799,085
Rent, rates and taxes		**398,176**	21,048
Vehicle running and maintenance		**18,831,574**	8,062,439
Packing material		**65,641,771**	10,432,326
Depreciation	14.1	**64,162,707**	65,707,445
Others		**23,417,875**	15,696,325
		1,408,723,502	632,556,111
Work in process			
Opening		**201,891,341**	81,513,302
Closing		**(164,261,184)**	(201,891,341)
		37,630,157	(120,378,039)
Cost of goods manufactured		**1,446,353,659**	512,178,072
Finished goods			
Opening		**13,351,097**	21,191,585
Closing		**(43,226,289)**	(13,351,097)
		(29,875,192)	7,840,488
		1,416,478,467	520,018,560

	Note	2014 Rupees	2013 Rupees
25.1 RAW MATERIALS CONSUMED			
Opening balance		**1,783,322**	2,243,620
Purchase of raw material		**37,212,823**	8,463,917
Salaries, wages and benefits	25.1.1	**26,436,372**	27,120,800
Gypsum		**3,544,012**	169,470
Electricity		**10,763,235**	1,049,284
Royalty and excise duty		**17,000,600**	2,151,246
Stores and spares		**8,244,195**	721,924
Breaking of Gypsum		**125,430**	61,786
		105,109,989	41,982,047
Closing balance		**(8,629,720)**	(1,783,322)
		96,480,269	40,198,725

25.1.1 Salaries, wages and other benefits include Rs. 0.98 million (2013: Rs. 1.08 million) and Rs. 2.6 million (2013: Rs. 3.9 million) in respect of contribution of Provident Fund and Gratuity Fund respectively by the company.

25.2 Salaries, wages and other benefits include Rs. 5.26 million (2013: Rs. 5.45 million) and Rs. 13.89 million (2013: Rs. 20.25) in respect of contribution of Provident Fund and Gratuity Fund respectively by the company.

26. DISTRIBUTION COST

	Note	2014 Rupees	2013 Rupees
Salaries, wages and benefits		**1,799,475**	2,325,474
Travelling and daily allowances		**93,983**	501,855
Vehicles running and maintenance		**351,353**	-
Depreciation	14.1	**110,456**	112,489
Freight		**989,125**	-
Others		**5,000**	-
		3,349,392	2,939,818

27. ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Salaries, wages and benefits	27.1	**12,930,592**	10,320,690
Rent, rates and taxes		**4,777,584**	6,084,626
Travelling and daily allowances		**2,425,225**	2,242,688
Repairs and maintenance		**1,222,535**	606,534
Vehicle running and maintenance		**671,090**	2,720,493
Legal and professional		**3,044,970**	1,933,782
Auditors' remuneration	27.2	**855,000**	868,000
Postage, telephone and telegrams		**1,010,304**	1,295,170
Printing and stationery		**429,051**	272,044
Advertisement		**95,000**	51,500
Entertainment		**1,892,196**	1,818,178
Fee and subscriptions		**1,034,248**	672,708
Security services		**-**	104,722
Depreciation	14.1	**2,874,683**	3,194,203
Others	27.3	**7,525,636**	9,310,819
		40,788,114	41,496,157

27.1 Salaries, wages and other benefits include Rs. nil (2013: Rs. nil) in respect of Provident Fund contribution by the company.

	Note	2014 Rupees	2013 Rupees
27.2 Auditors' remuneration			
Amin, Mudassar & Co.			
Chartered Accountants			
Audit fee		**625,000**	550,000
Tax advisory services		**-**	120,000
Certification services		**10,000**	8,000
Half year review fee		**110,000**	95,000
Code of Corporate Governance review report fee		**110,000**	95,000
		855,000	868,000

27.3 This includes amount claimed by the company as input sales tax Rs. 6,104,681 (2013: Rs. 7,249,226). However, the Deputy Commissioner of Inland Revenue made this amount as inadmissible input sales tax and accordingly adjusted the aforesaid amount from the refund due to the company.

28. OTHER INCOME

	Note	2014 Rupees	2013 Rupees
Income from financial assets			
Profit on deposit and PLS accounts		**210,845**	204,668
Income from non financial assets			
Balances written back		**-**	11,896,641
Gain on disposal of fixed assets		**110,831**	-
Reversal of provision for doubtful balances		**-**	1,016,021
		110,831	12,912,662
		321,676	13,117,330

29. OTHER OPERATING EXPENSES

	Note	2014 Rupees	2013 Rupees
Balances written off		**-**	30,594,950
Other		**-**	7,710,434.00
Provision for obsolescence of stores, spares and related items		**25,858,329**	-
		25,858,329	38,305,384

30. FINANCE COST

	Note	2014 Rupees	2013 Rupees
Interest/mark up on:			
Loans from financial institutions:			
Long term		**210,867,250**	-
Short term		**280,341,117**	-
		491,208,367	-
Other loans- long term		**4,932,479**	4,932,479
Provident fund		**15,851,255**	13,670,126
Workers Profit Participation Fund (WPPF)		**489,146**	454,793
Finance Cost on unpaid tax liability		**109,851,077**	-
Bank charges		**639,899**	211,248
		622,972,223	19,268,646
Less : Finance income on demand finance - 2	5.2	**(514,294,107)**	-
		108,678,116	19,268,646

31. TAXATION

Current

Provision for the current year Rs. Nil (2013: Nil) . Minimum tax u/s 113 of the Income Tax Ordinance 2001 has not been made as the company suffered gross loss before depreciation charge. The assessed tax losses available for carry forward is Rs. 3,270,710,164 (2013: Rs. 2,696,422,358) upto the tax year 2014. Since the company is not liable to any tax under the Normal Tax Regime therefore no numerical tax reconciliation has been given.

Deferred

Deferred tax liability on all temporary differences as at June 30, 2014 has been duly disclosed in note **7**.

	2014 Rupees	2013 Rupees
32. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year	**(526,633,125)**	(466,807,379)
Weighted average ordinary shares during the year-numbers	**94,839,980**	94,839,980
Loss per share (Rupees)	**(5.55)**	(4.92)
33. TRANSACTIONS WITH RELATED PARTIES		
Three Stars Hosiery Mills (Pvt) Ltd.		
(Associated company due to common directorship)		
Funds paid back	-	1,217,500
Fund received	-	6,433,828

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management.

Here are presented the information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of Capital.

The Company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in the market conditions and the Company's activities.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

34.1 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Long term loans	2,800	4,045
Long term security deposits	10,674,715	10,374,715
Trade debts	56,744,918	3,038,538
Loans and advances	269,982,927	274,278,830
Interest accrued	9,388,556	9,388,556
Other receivables	386,967	386,967
Bank balances	40,247,308	3,125,999
	387,428,191	300,597,650

Geographically there is no concentration of credit risk.

Credit Quality of Financial Assets

The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets.

Cash at banks

A-1+	37,596,979	1,069,782
A 1+	527,519	38,837
A 2	-	2,017,380
A-3	2,122,810	-
	40,247,308	3,125,999

Credit Risk Management

Due to the company long standing business relationship with counter parties and after giving due consideration to their strong financial standings, management does not expect non-performance by the counter parties on their obligation to the company. Accordingly the credit risk is minimal.

34.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations 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 expected interest payments and excluding the impact of netting agreements:

	2014			2013		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	(Rupees)					
Financial Assets						
Long term loans	7,606	2,800	10,406	17,352	4,045	21,397
Long term security deposits	-	10,674,715	10,674,715	-	10,374,715	10,374,715
Trade debts	56,744,918	-	56,744,918	3,038,538	-	3,038,538
Loans and advances	269,975,321	-	269,975,321	274,261,478	-	274,261,478
Other receivables	386,967	-	386,967	386,967	-	386,967
Accrued interest	9,388,556	-	9,388,556	9,388,556	-	9,388,556
Cash and bank balances	40,462,788	-	40,462,788	3,201,728	-	3,201,728
	376,966,156	10,677,515	387,643,671	290,294,619	10,378,760	300,673,379
Financial liabilities						
Long term loans and liabilities	81,359,430	1,369,134,113	1,450,493,543	74,610,861	1,057,994,550	1,132,605,411
Long term advances and deposits	-	1,882,313	1,882,313	-	1,532,313	1,532,313
Trade and other payables	1,602,281,542	-	1,602,281,542	1,478,547,952	-	1,478,547,952
Mark up accrued	623,945,896	-	623,945,896	712,597,533	-	712,597,533
Short term borrowings	1,185,698,828	-	1,185,698,828	899,551,455	-	899,551,455
Gratuity payable to trustees	180,584,091	-	180,584,091	169,330,678	-	169,330,678
	3,673,869,787	1,371,016,426	5,044,886,213	3,334,638,479	1,059,526,863	4,394,165,342
Net liquidity	(3,296,903,631)	(1,360,338,911)	(4,657,242,542)	(3,044,343,860)	(1,049,148,103)	(4,093,491,963)

Liquidity Risk Management

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 company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

34.3 Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

34.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. The company's exposure to currency risk as at the reporting date is Rs. nil (2013: Rs. nil):

Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. The company's export sales is immaterial during the year.

34.3.2 Interest Rate Risk

The interest rate profile the company's interest bearing financial instruments as at the reporting date is as follows:

Variable rate instruments	2014 Rupees	2013 Rupees
Financial assets	**1,640,000**	2,200,102
Financial liabilities	**1,451,148,000**	1,486,088,073

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points change in variable interest rates would have increased loss by Rs. 9.65 million (2013: Rs.14.51 million) if fully charged to profit and loss account. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

34.4 Capital risk management

The primary objective of the company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policy and processes during the year ended June 30, 2014.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2014, the company's strategy was to minimize leveraged gearing. The company has a gearing ratio of (61)% (2013: (255)%)

34.5 Fair Value of Financial Assets and Liabilities

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

34.6 Default and breaches of loans payable

	Carrying value		Nature of default
	Principal amount	Mark up due	
	----- Rupees -----		
Economic Affairs Division	35,232,000	32,739,213	Company failed to pay the half yearly installments along with markup due thereon.
KASB Bank ltd	290,000,000	277,101,830	The company has not renewed the short term running finance facility

Notes.....

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	(Rupees)					
Managerial remuneration	-	-	900,000	-	-	900,000
House rent	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	900,000	-	-	900,000
Number of persons	-	-	1	-	-	1

The Chief Executive, Director and executive is entitled to free use of cars according to company policy.

36. PROVIDENT FUND

The company has maintained an employees' provident fund trust (Trust). Company had to contribute the amount of provident fund (Fund) to the Trust. Due to severe financial crunch, as refereed in note 6.2 of these financial statements, the company was unable to pay such amount. However, mark-up, as return of investment, has been accrued in the books of accounts of the company. At the year ended June 30, 2014 figures of the fund are as follows:

	2014 Rupees	2013 Rupees
Unpaid contribution by the company on which profit is payable to the fund	111,811,541	107,286,071
Profit on unpaid contribution by the company	63,236,474	47,385,219
Size of fund	175,048,015	154,671,290
Percentage of unpaid contribution on which profit is payable	64%	69%

The management has the intention to contribute the full amount of provident fund with related mark-up on attaining the profitable operations of the company. All the amount will be invested by the Trust as per the requirements of the Section 227 of the Companies Ordinance, 1984, once received from the company.

37. NUMBER OF EMPLOYEES

The detail of no employees are as follows:

	2014	2013
	-------Number-------	
Average no of employees during the year	722	725
Number of employees as at June 30,	732	686

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014 M. Tons	2013 M. Tons
Plant Capacity (Ordinary Portland cement)	504,000	504,000
Plant capacity (Clinker)	480,000	480,000
Actual production (Ordinary Portland cement)	159,073	24,518
%age of capacity utilized	32%	5%
Actual production (Clinker)	145,288	42,890
%age of capacity utilized	30%	9%

38.1 Operational performance of the company improved during the year due to the fact that company operated for seven months as compared to four months last year.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on November 07, 2014 by the Board of Directors of the company.

MUHAMMAD AZHAR SHER
Chief Executive

MUHAMMAD IMRAN IQBAL
Director

Summary of Last Ten Years' Financial Result

Rupees in Thousands

Description	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trading Results:										
Turnover	1,068,198	145,272	1,103,744	773,176	233,286	1,146,063	556,149	914,555	1,412,957	1,087,164
Gross Profit /(Loss)	(348,281)	(374,747)	(440,399)	(351,839)	(263,754)	(84,882)	(236,620)	(207,432)	220,436	66,682
Operating Profit /(Loss)	(417,955)	(444,371)	(489,929)	(384,520)	(295,450)	(192,595)	(328,986)	(284,902)	150,667	3,784
Profit /(Loss) Before Taxation	(526,633)	(463,639)	(506,774)	(392,030)	(556,982)	(457,657)	(556,402)	(438,154)	63,940	(61,759)
Profit /(loss) After Taxation	(526,633)	(466,807)	(506,774)	(339,163)	(436,126)	(310,177)	(419,168)	(437,276)	13,614	56,826
Balance Sheet:										
Shareholders Equity	(3,254,924)	(2,796,642)	(2,366,059)	(1,896,526)	(1,596,274)	(1,202,189)	(934,958)	(830,956)	(424,736)	(447,750)
Operating Fixed Assets	2,022,858	2,016,895	2,085,626	2,155,354	2,230,649	2,313,958	2,382,119	2,456,936	1,796,726	1,812,714
Net Current Liabilities	(2,887,333)	(2,699,135)	(2,038,988)	(1,545,673)	(1,384,555)	(834,944)	(384,722)	(328,284)	(88,013)	(251,999)
Long term Liabilities	1,371,016	1,059,527	1,321,662	1,387,978	1,405,724	1,411,684	1,465,374	1,194,013	1,056,014	1,072,416
Significant Ratios										
Gross Profit Ratio %	(32.60)	(257.96)	(39.90)	(45.50)	(113.06)	(7.41)	(42.55)	(22.68)	15.60	6.13
Net Profit Ratio %	(49.30)	(321.33)	(45.91)	(43.87)	(186.95)	(27.06)	(75.37)	(47.81)	0.96	5.23
Fixed Assets Turnover Ratio	0.52	0.07	0.53	0.36	0.10	0.50	0.23	0.37	0.79	0.60
Current Ratio	0.20	0.19	0.25	0.32	0.30	0.41	0.58	0.60	0.80	0.49

Form of Proxy

The Secretary
Dandot Cement Company Limited
LAHORE.

I/We____

of ____

being a member of **Dandot Cement Company Limited** and holder of ________________ Ordinary Shares as per Shares

Register Folio No. __________________ hereby appoint Mr. ____________________ of ______________

Folio No. ________________ who is also a member of **Dandot Cement Company Limited** as my/our proxy to attend

and vote for and on my / our behalf at the 34th Annual General Meeting of the Company to be held on **Saturday, November**

29, 2014 at 11:30 a.m. and at any adjournment thereof.

As witnessed given under my / our hand (s) ______________ day of November 2014.

Signature

Witness:

Signature: ________________________

Name: ________________________

Address: ________________________

On five
Rupees
Revenue
Stamp

Note:

1. The Proxy in order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of th Company not later than 48 hours before the time of holding the meeting.

2. No person shall be act as proxy unless he is a member of the Company.

3. Signature should agree with the specimen signature registered with the Company.

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AFFIX
CORRECT
POSTAGE

The Company Secretary,

Dandot Cement Company Limited,
30-Sher Shah Block, New Garden Town,
Lahore - Pakistan.
Ph: +92-42-35911485

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