



FECTO CEMENT LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|---|-----------------|
| Mr. Aamir Ghani | Chairman |
| Mr. Mohammed Yasin Fecto | Chief Executive |
| Mr. Khalid Yacoob | |
| Mr. Ijaz Ali | |
| Mr. Safdar Abbas Morawala | |
| Mr. Altaf A Hussain | |
| Mr. Mohammed Anwar Habib | |
| Mr. Jamil Ahmed Khan | |
| Mr. Rohail Ajmal (Nominee of Saudi Pak Industrial & Agricultural Investment Co. Ltd.) | |

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Abdul Samad, FCA

LEGAL ADVISOR

Mian Nisar Ahmed & Co. (MNACO)
11-E/II, Main Gulberg
Lahore

REGISTERED OFFICE

35-Darul Aman Housing Society
Block 7/8, Shahrah-e-Faisal
Karachi
Website: www.fectogroup.com

MARKETING OFFICE

339, Main Peshawar Road
Chairing Cross Service Road
Westridge-1,
Rawalpindi

AUDIT COMMITTEE

| | |
|---------------------------|----------|
| Mr. Mohammed Anwar Habib | Chairman |
| Mr. Safdar Abbas Morawala | |
| Mr. Altaf A. Hussain | |

HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Jamil Ahmed Khan | Chairman |
| Mr. Aamir Ghani | |
| Mr. Mohammed Anwar Habib | |

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants

SHARE REGISTRAR

F. D. Registrar Services (SMC-Pvt) Ltd.
1705, 17th Floor, Saima Trade Tower-A
I. I. Chundrigar Road
Karachi-74000

FACTORY

Sangjani, Islamabad

BANKERS

Askari Commercial Bank Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Silk Bank Limited

VISION STATEMENT, MISSION STATEMENT AND CORPORATE STRATEGY

Vision Statement

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

Mission Statement

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

Corporate Strategy

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shakra-e-Faisal, Karachi, on Thursday, October 25, 2018 at 12.00 noon to transact the following businesses:

ORDINARY BUSINESSSES

- 1) To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon.
- 2) To consider, declare and approve payment of final cash dividend @ 20% (Rs. 2.00 per share) for the financial year ended June 30, 2018 as recommended by the Board of Directors.
- 3) To appoint Auditors for the year ending June 30, 2019 and fix their remuneration. Present auditors M/s. Rahman Sarfarz Rahim Iqbal Rafiq, Chartered Accountants retires and being eligible have offered themselves for the re-appointment. The Board based on the recommendation of Audit Committee has proposed the appointment of M/s. Rahman Sarfarz Rahim Iqbal Rafiq Chartered Accountants as auditors of the Company for the year ending June 30, 2019.
- 4) To elect Six (6) directors as fixed by the Board of Directors of the Company in accordance with the provisions of Section 159 (1) of the Companies Act, 2017 for the next three years term commencing November 01, 2018. Mr. Rohail Ajmal Nominee of Saudi Pak Industrial and Agriculture Investment Company Limited is not subject to retirement/election hence after this election, overall strength of the Board will be seven (7) as required by Section 154(1) (d) of the Companies Act, 2017.

Names of retiring directors are as follows:

Mr. Mohammed Yasin Fecto
Mr. Khalid Yacoob
Mr. Safdar Abbas Morawala
Mr. Ijaz Ali

Mr. Jamil Ahmed Khan
Mr. Mohammed Anwar Habib
Mr. Aamir Ghani
Mr. Altaf A Hussain

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

By Order of the Board



(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 27, 2018

Notes:

1. The Share Transfer Books of the Company will remain closed from Thursday, October 18, 2018 to Thursday, October 25, 2018 (both days inclusive). Transfers received in order by our Shares Registrar M/s. F. D. Registrar Services (SMC-Pvt) Ltd. 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road Karachi-74000 at the close of business on Wednesday, October 17, 2018 will be considered in time for the entitlement of transferee.
2. A member of the Company entitled to attend and vote at this meeting may appoint another member as a proxy to attend, speak and vote instead of him/her. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time of holding the Meeting. The proxy shall produce his/her CNIC or passport to prove his/her identity.
3. CDC Account Holders will have to further follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Members may exercise their right to vote as per the provisions of the Companies (Postal and Ballot) Regulations, 2018 subject to the requirements of Section 143 and 144 of the Companies Act, 2017. Further details in this regard will be communicated to the shareholders within legal time frame as stipulated under the Regulations if required.
5. Members holding shares in physical form are requested to notify any change in their address to our share registrar immediately. Members holding shares in CDS system are requested to have their addresses updated with participant or CDC Investor Account Service.
6. As required by the Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017 all listed companies are bound to pay cash dividend to their shareholders only through electronic mode directly into bank account designated by the entitled shareholder. All those shareholders who have not yet submitted their bank account details in the form of Electronic Credit Mandate form (available on the website of the Company at www.fectogroup.com) are requested to submit the requisite form duly signed with their CNIC to our registrar in case of physical shares. Shareholders holding their shares in CDS system are requested to submit Electronic Credit Mandate Form directly to CDC.
7. Member(s) who wish to receive annual financial statements and notice of annual general meeting through email, instead of through courier/post are requested to give their consent in writing on standard request form available on the Company's website www.fectogroup.com to the Company with their registered Email address so the Company can provide them the same at their valid Email ID.
8. The annual report of the Company has been uploaded at the Company's website www.fectogroup.com.
9. Any member of the Company who seeks to contest the election of the office of the director whether he is retiring director or otherwise, shall file with the Company at its registered office not later than fourteen days before the date of above said meeting his/her intention to offer himself/herself for the election of office of the director in term of Section 159 (3) of the Companies Act, 2017 together with:
 - Consent to act as director as required under Section 167 of the Companies Act, 2017.
 - Declaration that he or she is not ineligible to become a director of the Company in terms of Section 153 of the Act.

- Declaration under clause 3 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.
- A detailed profile along with office address as required under SECP SRO 634(1)2014 dated July 10, 2014.

STATEMENT OF MATERIAL FACTS UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017 IN RESPECT OF APPOINTMENT OF INDEPENDENT DIRECTORS

- Candidate(s) intending to contest election of director as independent directors will also be elected in same manner as prescribed in Section 159 of the Act for election of directors. They however, shall also submit along with their intention a declaration that he/she qualifies the criteria of independence notified under section 166(2) of the Act as required by the clause (2) of Regulation 6 of the Listed Companies (Code of Corporate Governance Regulations) 2017 and an undertaking on non judicial stamp paper that he/she meets the requirements of sub regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.
- In addition to the submission of documents as detailed above by the candidates, intending to contest election as independent director, the Company shall also carry out its due diligence to ensure that all requirements of the Act and relevant regulations are complied with.

10. The Company shall provide video conference facility to its members residing outside Karachi for attending the meeting through video link. The said facility is subject to receiving demand from members holding an aggregate of 10% or more shareholding and if demand is received at least 7 days before the date of meeting.

In this regard members who wish to avail this facility are requested to please send their request duly signed as per the following format to the registered address of the Company.

| |
|--|
| <p>I/We _____ of _____ being a member of Fecto Cement Limited, holder of _____ ordinary share(s) as per Registered Folio/ CDC Account No. _____ hereby opt for video link facility at _____.</p> <p style="text-align: center;">_____ Signature of Member</p> |
|--|

11. Members who desire that zakat should not be deducted from their dividend are requested to submit a declaration on non judicial stamp paper duly signed as required under the law.
12. **Deduction of Income Tax from dividend under Section 150 of the Income Tax Ordinance 2001**
 - As per requirement of the Finance Act 2018, the Company is required to deduct withholding tax from payment

of dividend as per following rates:

- i. Non filer of income tax returns 20%
- ii. Filers of income tax returns 15%

- Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.
- In case of joint account, please intimate proportion of shareholding as each account holder is to be treated individually as either filer or non filer, tax will be deducted on the basis of shareholding, in case Company does not receive any intimation, each account holder shall be assumed to have equal number of shares.
- Further according to clarification issued by FBR, withholding tax will be determined separately for Filer/Non Filer in case of joint shareholder(s).
- Members seeking either exemption from income tax deduction on dividend income or deduction at reduced rate under any provision of the Income Tax Ordinance, 2001 are requested to submit valid tax exemption certificate or necessary documents, as the case may be latest by October 17, 2018.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present before you my Review Report on the overall performance of the Board and effectiveness of the role played in achieving the Company's objectives.

The Board of Directors of Fecto Cement Limited has performed their fiduciary duties diligently in upholding the best interest of all stakeholders in efficient and effective manners. The Board has exercised its powers and has performed its duties as stated in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Code) contained in the Rule Book of the Pakistan Stock Exchange (the Rule Book) where the Company is listed.

The Board during the year ended 30 June 2018 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- o The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill, experience and knowledge to manage the affairs of the Company;
- o The Board has developed and put in place an effective mechanism for an annual evaluation of its own performance and that of its committees and individual directors. The findings of the annual evaluation are assessed and re-evaluated by the Board periodically;
- o The Board has ensured that the directors are aware of their duties and responsibilities under the Companies Act, 2017, relevant Rules and Regulations and Articles of Associations of the Company. Further, they are provided with orientation courses to enable them to perform their duties in an effective manner.;
- o The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum. The Board members have received agenda for the meetings containing all relevant information require to helping them for constructive discussions are delivered in timely manner. All the decision making were taken through Board resolutions and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- o The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and have developed significant policies for smooth functioning;
- o All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- o The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- o The Board has prepared and approved the directors' report and has ensured that it is published with the quarterly and annual financial statement of the Company and the content of the report are in accordance with the requirement of applicable laws and regulations;
- o The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and

- o The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable to the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.



AAMIR GHANI
CHAIRMAN

September 27, 2018
Karachi.

DIRECTORS' REPORT TO THE MEMBERS

Dear Members

The Board of Directors has pleasure in presenting before you the annual report together with Audited Financial Statements of the Company for the year ended June 30, 2018.

OVERVIEW

During the year under review, overall dispatches of industry grew by 13.8% with total sales volume of 45.89 million tons as against 40.32 million tons of last year. Local sales volume of the industry increased by 15.4% and reached to 41.15 million tons as against 35.65 million tons of last year. Exports of the industry grew by 1.8% with sales volume of 4.75 million tons as against 4.66 million tons of last year.

Overall sales volume of plants located in north increased to 37.05 million tons witnessing a growth of 14.74%, out of which local sales volume was of 33.97 million tons whereas exports were of 3.08 million tons. Growth in local sales volume hence, was 16.57% as against reduction of 2.20% in exports for the plants located in north.

OPERATING PERFORMANCE

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

| | ----- TONS ----- | | |
|-------------------|------------------|---------|-------------|
| | 2018 | 2017 | CHANGE IN % |
| Production | | | |
| Clinker | 744,402 | 789,904 | (5.76) |
| Cement | 793,063 | 773,180 | 02.57 |
| Dispatches | | | |
| Local | 720,108 | 659,974 | 09.11 |
| Export | 71,447 | 111,688 | (36.02) |
| Total | 791,555 | 771,662 | 02.58 |

Production of clinker for the year under review reduced by 5.76%, whereas, production of cement increased by 2.57% as compared to last year.

Local sales volume of the Company during the year under review witnessed a growth of 9.11% as against the growth of 15.4% of the industry. Exports, however, reduced by 36.02% mainly due to lesser exports to Afghanistan. Overall sales volume of the Company hence witnessed a growth of 2.58% as compared to last year.

FINANCIAL PERFORMANCE

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

| | Rupees in 000 except EPS | |
|----------------------------|--------------------------|-----------|
| | 2018 | 2017 |
| Net sale - Local | 4,546,512 | 4,551,604 |
| Net sale - export | 356,272 | 579,140 |
| Net Sale - Total | 4,902,784 | 5,130,744 |
| Cost of sales | 3,875,479 | 3,573,968 |
| Gross Profit | 1,027,305 | 1,556,776 |
| Profit before taxation | 599,628 | 1,091,492 |
| Profit after taxation | 441,738 | 760,693 |
| Earning Per Share (Rupees) | 8.81 | 15.17 |

SALES REVENUE

During the year under review, local gross sales revenue of the Company increased by 4.96% as compared to last year as against increase in local sales volume of 9.11%. Main reason for not increasing the revenue with the proportionate increase of volume was downward pressure on prices in local market.

Pressure on prices coupled with increase in rate of Federal Excise Duty by the Government resulted reduction in net local sales revenue by 0.11% as against increase in volume by 9.11%. Net local sales revenues for the year reduced to Rs. 4,547 Million as against Rs. 4,552 Million of last year. Export sales revenue of the Company reduced by 38.48% out of which 36.02% was due to reduction in volume whereas 2.46% was due to reduction in price.

PROFITABILITY

Cost of sales of the Company during the year under review increased by 8.44% mainly due to increase in price of coal in international markets and depreciation of Pak Rupee against USD. Transportation cost of coal from port to factory site also increased due to increase in prices of diesel. Further, increase in prices of cement bags also resulted higher cost of sales.

Gross profit for the year under review reduced to Rs. 1,027 Million as against Rs. 1,557 Million of last year, accordingly the Company achieved gross profit rate of 20.95% of net sales as against the 30.34% of last year. Overall administrative expenses increased by 22.45% as compared to last year, mainly due to expenses incurred at preliminary stage for proposed new cement plant site study and other related expenses. Distribution cost increased by 13.72% on account of increase in commission paid to dealers due to higher local sales volume.

The Company earned profit before taxation of Rs. 600 Million as against profit before taxation of Rs. 1,091 million of last year.

Provision for taxation reduced to Rs. 158 Million as against the provision of 331 Million of last year; hence, the Company earned Rs. 442 Million profit after taxation as against Rs. 761 Million of last year.

Company achieved earnings per share of RS.8.81 per share for the year under review as against Rs. 15.17 per share of last year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to certain inherent risks and uncertainties related to the environments in which its works and its operations may affect due to such risks and uncertainties. We, however, consider following as key risks:

- Significant competition in the market.
- Adverse movement in prices of input costs and foreign exchange rates specially imported coal.
- Cancellation of mining lease of lime stone.
- Data security and privacy.

The Company takes necessary steps with the external and internal stakeholders to mitigate these risks to appropriate level.

IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT

The Company is in the business of manufacture and sale of cement and any emission from the manufacturing process may affect the area where its operations are conducted. The Company is conscious of this affect and has taken several steps to control the environment in which it works. Plant of the Company is state of the art and meets all national and international standards of quality control. The Company has installed a waste heat recovery power plant to re use waste heat of the manufacturing system and generates clean energy for its operations.

FUTURE OUTLOOK

Demand for cement in local market remained robust during the financial year under review and it is expected that this trend will continue in the current financial year, considering the fact that demand for housing and infrastructure project will continue to grow along CPEC related projects and new Government's resolve to construct low cost housing projects. Inspite of high demand, we foreseen pressure on prices as new expansions will also come into operations.

On cost side higher prices of coal in international market coupled with devaluation of Pak Rupee against USD will impact the profitability. The prices of other input costs like cement bags and diesel will also affect the profitability. The management being cognizant of theses cost elements will continue to strive to improve operational efficiencies and cost saving measures to remain competitive. Further, as we informed to our worthy members that the Board has taken decision to establish a green field cement project of having capacity of 6,000 MT clinker per day with 9 MW waste heat recovery power plant. The management under the guidance of the Board is in the process of acquisition of land, procuring of requisite environmental approvals and conducting detail studies for raw material.

CORPORATE GOVERNANCE

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

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

1. The financial statements, prepared by the company, present fairly its state of affairs, the result of its

operations, cash flows and changes in equity;

2. Proper books of account have been maintained by the company;
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There are no significant doubts upon the company's ability to continue as a going concern;
7. The value of Provident Fund Investments as per un audited accounts of Provident Fund Trust for the year ended June 30, 2018 was Rs. 385 Million (2017 Rs. 348 Million as per audited accounts).
8. There is no outstanding statutory payment due on account of taxes, levies and charges except normal and routine nature.

Key operating and financial data for last six years is annexed to this report at page number 19.

ADEQUACY OF INTERNAL FINANCIAL CONTROL

The Board of Directors of the Company has established an effective and efficient internal financial control system to ensure effective conduct of company's operation, safeguarding of all assets and compliance with applicable laws and regulations and reliable and timely financial reporting. The in house internal audit department is equipped with suitable and qualified staff to continuously review the internal control system and its effectiveness. Internal audit department is responsible to identify any weakness in the system in place by the Board and suggest any deviation, its rectification and improvements in a timely manner to the Audit Committee which ultimately takes corrective steps.

RELATED PARTY TRANSACTIONS

All related party transaction entered into during the year were on arm's length basis and duly approved by the Audit Committee and the Board as required by the Act and relevant regulations. Detail of transactions entered into with related parties is given in note 30 to the financial statements and respected notes.

COMPOSITION OF THE BOARD

Detail of Number of Board members and their composition is mentioned in Statement of Compliance.

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is given below:

| | Attended |
|---------------------------|----------|
| Mr. Mohammed Yasin Fecto | 4 |
| Mr. Altaf A Hussain | 4 |
| Mr. Aamir Ghani | 3 |
| Mr. Rohail Ajmal | 4 |
| Mr. Safdar Abbas Morawala | 3 |
| Mr. Ijaz Ali | 2 |
| Mr. Mohammed Anwar Habib | 3 |
| Mr. Khalid Yacoob | 4 |
| Mr. Jamil Ahmed Khan | 4 |

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

REMUNERATION POLICY FOR NON EXECUTIVE DIRECTORS

All Directors of the Company are non executive directors except CEO. Remuneration to CEO is approved by the shareholders in their meetings. Non executive directors are paid remuneration for attending Board and its committee meetings as per approved policy. The detail of remuneration paid to CEO and non executive directors is given in note 29 to the financial statements.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Board of Directors of your Company has established Audit Committee of the Board in compliance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017. Terms of reference of the Committee was duly communicated to the members by the Board.

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

| | | Attended |
|----------------------------|-------------------------------|-----------------|
| Mr. Muhammad Anwar Habib | Chairman/Independent Director | 3 |
| Mr. Safdar Abbass Morawala | Independent Director | 3 |
| Mr. Altaf A Hussain | Independent Director | 4 |

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of Directors has established this Committee comprising three members, of whom all are non executive directors, whereas chairman of the Committee is an Independent Director. Terms of reference of the Committee was duly communicated to the members by the Board. During the year one meeting of the Committee was held which was attended by all the members.

TRAINING PROGRAM OF DIRECTORS

Out of nine directors 2 directors are exempt from the certification, whereas five (5) directors have already attained training program.

CORPORATE SOCIAL RESPONSIBILITY

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

CONTRIBUTION TO NATIONAL EXCHEQUER

Your company contributed around Rs. 2,216 million in national exchequers as sales tax, Federal excise duty and income tax as compared to Rs 2,136 million of last year. Company also brought in foreign exchange of around US\$ 3.2 million in the country by exporting cement in addition to that the company also paid contribution to national exchequer on account of royalty payment and also collected and deposited income tax from its suppliers and staff on behalf of FBR.

ENTITY CREDIT RATING

During the year under review entity credit rating of the Company was carried out by an independent credit rating agency namely Pakistan Credit Rating Agency (PACRA) and has assigned long term rating of A- and short term A2 with stable outlook.

CANCELLATION OF MINING LEASE

The auditors have drawn attention of the members to the note 9.1 in respect of cancellation of mining lease. As we had informed our members in our earlier reports that on March 17, 2015 Company received a letter from Director Industries and Labour, ICT, Islamabad informing the Company of cancellation of its mining lease allegedly on the order of Supreme Court of Pakistan dated March 16, 2015. The Company also received a letter from Capital Development Authority (CDA) mentioning therein withdrawal of NOC issued by CDA to ICT. The above order of Supreme Court was actually passed in a contempt of court proceeding seeking implementation of an earlier order of Supreme Court of Pakistan dated October 25, 2013 in which the Company was not a party.

The Company had filed a review petition in the Supreme Court of Pakistan to seek the review of the Order dated October 25, 2013. The Company has also filed a suit before the Islamabad High Court Challenging the order of cancellation mining lease by the ICT, withdrawal of NOC by CDA including other actions taken by it against the Company. During the year the Supreme Court disposed off review petition with an observation that since a civil suits against cancellation of mining lease and demarcation of land are pending for adjudication in lower court hence lower court shall decide the case on its merit and any observation made in the order dated October 25, 2013 shall not cause any prejudicial to the Company. The Company is vigorously contesting the matters and based on the legal opinion, believes that outcome of the matter will be in favour of the Company.

Mining activities meanwhile are suspended; however, the Company has made alternate arrangements to continue its production and dispatch operations.

INDUSTRIAL RELATIONS

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

AUDITORS

Present auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible, have offered them for re-appointment. The Audit Committee of the Board has also recommended their appointment as Statutory Auditors of the Company for the year ending June 30, 2019 and Board would also like to endorse the recommendation of the Audit Committee.

PATTERN OF SHAREHOLDINGS

Statements showing the pattern of shareholdings as at June 30, 2018 required Section 227(2)(f) of the Companies Act, 2017 is annexed to this report.

APPROPRIATION

The appropriations approved by the Board are as follows:

| | Rupees in 000 |
|--|------------------|
| Profit after taxation | 441,738 |
| Un appropriated profit brought forward | <u>2,842,223</u> |
| Available for appropriation | <u>3,283,961</u> |

Appropriation:

| | |
|--|---------|
| Final Cash Dividend paid for the year ended 30 June 2017 @ 25 % i.e. Rs. 2.50/= per share | 125,400 |
|--|---------|

| | |
|---|-------------------------|
| Un appropriated profit carried forward | <u>3,158,561</u> |
|---|-------------------------|

SUBSEQUENT EFFECT

The Board in its meeting held on September 27, 2018 has proposed a final cash dividend of 20% i.e. (Rs. 2.00 per share), for the approval of members in AGM to be held on October 25, 2018.

ACKNOWLEDGMENT

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

On behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR

Karachi: September 27, 2018

PATTERN OF SHAREHOLDINGS / FOLIO

AS AT JUNE 30, 2018

| No. of Shareholders /Folio | Shareholding | | Total shares |
|-------------------------------|--------------|----------|-------------------|
| | From | To | |
| 412 | 1 | 100 | 10,028 |
| 480 | 101 | 500 | 140,655 |
| 731 | 501 | 1000 | 460,541 |
| 379 | 1001 | 5000 | 871,407 |
| 68 | 5001 | 10000 | 504,164 |
| 26 | 10001 | 15000 | 332,142 |
| 15 | 15001 | 20000 | 276,160 |
| 9 | 20001 | 25000 | 207,100 |
| 7 | 25001 | 30000 | 197,900 |
| 7 | 30001 | 35000 | 237,600 |
| 3 | 35001 | 40000 | 112,600 |
| 2 | 40001 | 45000 | 83,000 |
| 4 | 45001 | 50000 | 197,600 |
| 2 | 50001 | 55000 | 109,600 |
| 1 | 55001 | 60000 | 57,640 |
| 1 | 60001 | 65000 | 63,730 |
| 2 | 65001 | 70000 | 137,000 |
| 1 | 70001 | 75000 | 71,200 |
| 1 | 75001 | 80000 | 79,400 |
| 1 | 80001 | 85000 | 84,530 |
| 3 | 95001 | 100000 | 300,000 |
| 2 | 120001 | 125000 | 246,500 |
| 1 | 135001 | 140000 | 139,700 |
| 1 | 155001 | 160000 | 157,937 |
| 2 | 195001 | 200000 | 399,500 |
| 1 | 235001 | 240000 | 239,200 |
| 1 | 240001 | 245000 | 243,200 |
| 1 | 270001 | 275000 | 274,670 |
| 1 | 275001 | 280000 | 275,990 |
| 1 | 320001 | 325000 | 324,500 |
| 1 | 355001 | 360000 | 357,500 |
| 1 | 400001 | 405000 | 401,500 |
| 1 | 405001 | 410000 | 410,000 |
| 2 | 410001 | 415000 | 825,000 |
| 1 | 435001 | 440000 | 436,000 |
| 1 | 445001 | 450000 | 450,000 |
| 1 | 480001 | 485000 | 484,000 |
| 1 | 525001 | 530000 | 529,100 |
| 1 | 550001 | 555000 | 550,880 |
| 1 | 620001 | 625000 | 625,000 |
| 1 | 645001 | 650000 | 645,100 |
| 1 | 650001 | 655000 | 654,500 |
| 1 | 665001 | 670000 | 666,050 |
| 1 | 695001 | 700000 | 697,600 |
| 1 | 775001 | 780000 | 776,620 |
| 1 | 910001 | 915000 | 910,500 |
| 1 | 980001 | 985000 | 981,500 |
| 2 | 1025001 | 1030000 | 2,056,450 |
| 1 | 1095001 | 1100000 | 1,099,230 |
| 1 | 1125001 | 1130000 | 1,127,255 |
| 1 | 1420001 | 1425000 | 1,421,970 |
| 1 | 1485001 | 1490000 | 1,485,253 |
| 1 | 3035001 | 3040000 | 3,039,700 |
| 1 | 10150001 | 10155000 | 10,153,036 |
| 1 | 12540001 | 12545000 | 12,541,062 |
| 2193 | | | 50,160,000 |

CATEGORIES OF SHAREHOLDERS

AS AT JUNE 30, 2018

| Shareholder's Category | Number of Shareholders | Number of Shares held |
|--|------------------------|-----------------------|
| Associated Companies, undertakings and related parties | | |
| NIT and ICP | 4 | 1,131,395 |
| Directors | | |
| Mr. Mohammed Yasin Fecto | 2 | 22,694,098 |
| Mr. Jamil Ahmed Khan | 1 | 2,500 |
| Mr. Khalid Yacoob | 1 | 2,750 |
| Mr. Altaf A. Hussain | 1 | 2,750 |
| Mr. Safdar Abbas Morawala | 1 | 2,750 |
| Mr. Ijaz Ali | 1 | 2,750 |
| Mr. Aamir Ghani | 1 | 2,750 |
| Mr. Mohammad Anwar Habib | 1 | 2,750 |
| | 9 | 22,713,098 |
| Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance and Modarabas | 17 | 4,335,421 |
| Mutual Funds | | |
| CDC TRUSTEE NAFA STOCK FUND | 1 | 243,200 |
| CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT | 1 | 19,600 |
| CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION | 1 | 239,200 |
| | 3 | 502,000 |
| OTHERS | | |
| Foreign | 2 | 920,000 |
| Institutions | 26 | 593,772 |
| Individuals - Local | 2,132 | 19,964,314 |
| | 2,160 | 21,478,086 |
| Total | 2,193 | 50,160,000 |
| Shareholders holding 5% or more voting interest | | |
| Mr. Mohammed Yasin Fecto | | 22,694,098 |
| Muslim Commercial Bank Limited - Treasury | | 3,039,700 |

There were no trading in share other than as mentioned above by any Directors, Chief Financial Officer, Company Secretary and Executive and their Spouse and Minor Children.

The term Executive includes employees having salary of more than Rs. 300, 000/- per month.

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

| Year ended June 30 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|------------------|-----------|-----------------|-----------|-----------|-----------|
| PRODUCTION SUMMARY | | | (Tonnes) | | | |
| Clinker production | 744,402 | 789,904 | 661,103 | 703,677 | 640,825 | 689,937 |
| Cement production | 793,063 | 773,172 | 735,501 | 694,458 | 680,919 | 708,346 |
| Cement despatches | 791,555 | 771,662 | 736,671 | 694,132 | 682,048 | 709,461 |
| (Rupees in thousand unless stated otherwise) | | | | | | |
| PROFIT & LOSS SUMMARY | | | | | | |
| Turnover (net) | 4,902,784 | 5,130,744 | 5,031,622 | 4,779,145 | 4,723,814 | 4,588,064 |
| Gross profit | 1,027,305 | 1,556,776 | 1,623,450 | 1,465,349 | 1,277,219 | 1,254,550 |
| Profit before tax | 599,628 | 1,091,511 | 1,158,876 | 899,636 | 769,895 | 705,968 |
| BALANCE SHEET SUMMARY | | | | | | |
| Paid up capital | 501,600 | 501,600 | 501,600 | 501,600 | 501,600 | 501,600 |
| General Reserve | 550,000 | 550,000 | 550,000 | 550,000 | 550,000 | 550,000 |
| Accumulated Profit | 3,158,561 | 2,842,223 | 2,181,850 | 1,869,625 | 1,327,395 | 857,454 |
| Long term loan and lease finance | 14,757 | 0 | 0 | 80,000 | 260,000 | 125,000 |
| Deferred liabilities | 341,866 | 377,960 | 403,944 | 436,830 | 245,133 | 117,979 |
| Property, plant & equipment | 1,824,532 | 1,825,091 | 1,867,644 | 1,957,505 | 1,964,768 | 2,051,702 |
| MISCELLANEOUS | | | | | | |
| Contribution to national exchequer | 2,216,000 | 2,136,328 | 1,108,922 | 967,700 | 900,099 | 716,343 |
| Earnings per share (Rs.) | 8.81 | 15.30 | 16.22 | 12.31 | 11.87 | 11.63 |
| Break up value per share (Rs.) | 83.91 | 77.63 | 64.46 | 58.24 | 47.43 | 38.06 |
| Current ratio | 01:0.20 | 01:0.15 | 01:0.20 | 01:0.36 | 01:0.53 | 01:0.94 |
| Debt/equity ratio | 0.35:100 | 0:100 | 0:100 | 3:97 | 10:90 | 6:94 |
| Dividend | * 20% | 25% | 70% | 50% | 25% | 15% |

* Proposed

STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

FOR THE YEAR ENDED JUNE 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 9 as per the following:

| | |
|--------|---|
| Male | 9 |
| Female | 0 |

2. The Composition of board is as follows:

| | |
|----------------------------|---|
| a. Independent Directors | Ijaz Ali, Safdar Abbas Morawala Altaf A Hussain, Khalid Yacoob Mohammed Anwar Habib and Jamil Ahmed Khan |
| b. Non-Executive Directors | Aamir Ghani and Rohail Ajmal |
| c. Executive Directors | Mohammed Yasin Fecto |

3. The Directors have confirmed that none of them is serving as a director on more than five (5) listed companies including this company.
4. 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 its supporting policies and procedures.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The Board has complied with the requirements of the Act and Regulations with respect to frequency, recording and circulating minutes of meetings.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Company stands complied with the requirement of having half of the directors attended Directors Training Program as prescribed in Regulation 20 clause 1(a) of the Regulations as out of Nine (9) Directors, five (5) directors have already attended Directors' Training Program (DTP).
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

AUDIT COMMITTEE

| | |
|---------------------------|----------|
| Mr. Mohammed Anwer Habib | Chairman |
| Mr. Altaf A Hussain | Member |
| Mr. Safdar Abbas Morawala | Member |

HR and REMUNERATION COMMITTEE

| | |
|--------------------------|----------|
| Mr. Jamil Ahmed Khan | Chairman |
| Mr. Aamir Ghani | Member |
| Mr. Mohammed Anwer Habib | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees were as per following:
- | | |
|-----------------------------------|-----------|
| i. Audit Committee | Quarterly |
| ii. HR and Remuneration Committee | Annually |
15. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. 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.
18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR

Karachi: September 27, 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FECTO CEMENT LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Fecto Cement Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

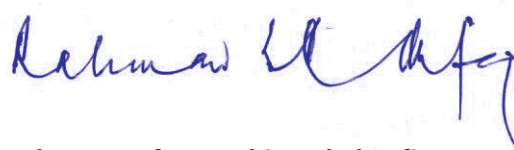
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Karachi.

Date: September 27, 2018



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FECTO CEMENT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Fecto Cement Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 9.1 to the financial statements which more fully discloses the fact that the Company is in litigation to contest the mining lease cancellation (including penalty) and the Company's responses / measures thereon.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

| S. No | Key audit matter(s) | How the matter was addressed in our audit |
|-------|--|---|
| 01. | Contingencies As disclosed in note 9 to the financial statements, the Company is exposed to material contingent liabilities arising from numerous legal suits / proceedings instituted by / against the Company on various matters including, in particular, the notice issued by the Director Minerals, Industries and Labour Welfare ICT for revocation of mining lease, show cause notice issued by the Competition Commission of Pakistan for increase in prices of cement across the country, various amended assessment orders issued by the income tax authorities challenging the basis of apportionment of common expenses, and an order issued by the tax authorities creating a substantial demand for sales tax and federal excise duty. Given the technicalities and complexities involved in the evaluation of the stance adopted by the Company in the | <p>Our audit procedures to obtain sufficient appropriate audit evidence over the contingencies, amongst others, included the following:</p> <ul style="list-style-type: none">● Obtaining an understanding of the Company's processes and controls over contingencies through meetings with management and review of the minutes of the Company's Board of Directors and the Audit Committee;● Discussing the uncertainties involved in the legal suits / proceedings as well as the developments therein that occurred during the year with the Company's senior management personnel responsible for legal and financial reporting matters and corroborating the results of such inquiries to supporting documentary evidences such as orders passed by the courts or the appellate authorities; |

aforementioned suits / proceedings and the uncertainties prevailing as to the ultimate outcome thereof, determining appropriately their effects on the financial statements in accordance with the applicable financial reporting framework is a matter of significant management judgement which, in turn, required us to apply significant auditor judgement and, accordingly, devote sufficient time and resources (including involvement of senior engagement team members) in order to obtain sufficient appropriate audit evidence.

We considered this matter to be of most significance keeping in view the various developments that occurred during the year with respect to such contingencies and the material monetary demands involved therein.

02. New requirements under the Companies Act, 2017

The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annexed financial statements which replaced previously applicable fourth schedule to the repealed Companies Ordinance, 1984.

The Act, has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company.

In view of the extensive impacts in the annexed financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.

- Circularizing confirmations to the Company's external legal counsels and corroborating the responses received there-against with the results of management inquiries and the supporting documentary evidences; and
- Assessing the appropriateness of related disclosures made in the financial statements, including, in particular, evaluating whether the same are in conformity with the disclosure requirements of the applicable financial reporting standards and the Fourth Schedule to the Companies Act, 2017, and whether all the significant developments that occurred during the year have been adequately disclosed.

We reviewed the requirements of the Fourth schedule to the Act and carried out the following audit procedures to ensure that the financial statements were prepared in accordance with new requirements:

- As part of transition to new requirements, the management performed a gap analysis to identify additional requirements of disclosure for the current financial reporting framework. We reviewed the management's process to identify the necessary amendments required in the Company's financial statements;
- We evaluated the results of management's analysis and key decisions taken in respect of the transition; and
- We assessed the adequacy and appropriateness of the additional disclosures made in the annexed financial statements based on the new requirements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

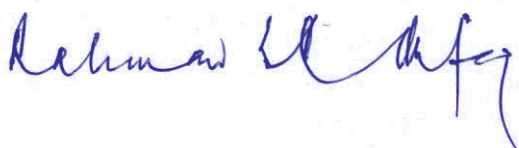
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Waseem.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi

Date: September 27, 2018

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

AS AT JUNE 30, 2018

| | Note | 2018 | 2017 |
|--|------|------------------|------------------|
| | | Rupees in '000' | |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized Capital | | | |
| 75,000,000 (2017: 75,000,000) Ordinary shares of Rs. 10/- each | | 750,000 | 750,000 |
| Issued, subscribed and paid up capital | | | |
| 50,160,000 (2017: 50,160,000) Ordinary shares of Rs.10/- each | 5 | 501,600 | 501,600 |
| Revenue Reserves | | | |
| General reserve | | 550,000 | 550,000 |
| Accumulated profit | | 3,158,561 | 2,842,223 |
| | | 3,708,561 | 3,392,223 |
| | | 4,210,161 | 3,893,823 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Liabilities against assets subject to finance lease | 6 | 14,757 | - |
| Deferred taxation | 7 | 341,866 | 377,960 |
| | | 356,623 | 377,960 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 628,683 | 531,062 |
| Accrued Mark-up | | 106 | - |
| Unclaimed dividend | | 30,052 | 17,851 |
| Unpaid dividend | | 377 | 362 |
| Current portion of liabilities against assets subject to finance lease | 6 | 3,646 | - |
| | | 662,864 | 549,275 |
| Contingencies and commitments | 9 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 5,229,648 | 4,821,058 |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 1,824,532 | 1,825,092 |
| Long term deposits | 11 | 6,805 | 6,534 |
| Long term loans and advances | 12 | 14,534 | 18,199 |
| | | 1,845,871 | 1,849,825 |
| CURRENT ASSETS | | | |
| Stores and spares | 13 | 1,035,788 | 948,290 |
| Stock-in-trade | 14 | 1,329,041 | 1,277,174 |
| Trade debts | 15 | 75,428 | 16,087 |
| Short term investments | 16 | 206,895 | 102,390 |
| Loans, advances, deposits, prepayments and accrued markup | 17 | 125,075 | 71,241 |
| Taxation - net | | 138,746 | 98,683 |
| Cash and bank balances | 18 | 472,804 | 457,368 |
| | | 3,383,777 | 2,971,233 |
| Total assets | | 5,229,648 | 4,821,058 |

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 | 2017 |
|--|------|------------------|------------------|
| | | Rupees in '000' | |
| Turnover - net | 19 | 4,902,784 | 5,130,744 |
| Cost of sales | 20 | (3,875,479) | (3,573,968) |
| Gross profit | | 1,027,305 | 1,556,776 |
| Administrative expenses | 21 | (295,591) | (241,393) |
| Distribution cost | 22 | (195,636) | (172,034) |
| Finance cost | 23 | (3,266) | (1,454) |
| Other income | 24 | 111,256 | 30,491 |
| | | (383,237) | (384,390) |
| | | 644,068 | 1,172,386 |
| Other expenses | 25 | (44,440) | (80,894) |
| Profit before taxation | | 599,628 | 1,091,492 |
| Provision for taxation | | | |
| -Current | | (198,559) | (356,783) |
| -Prior | | 4,575 | - |
| -Deferred | | 36,094 | 25,984 |
| | 26 | (157,890) | (330,799) |
| Profit after taxation | | 441,738 | 760,693 |
| | | Rupees | |
| Earnings per share - basic and diluted | | 8.81 | 15.17 |

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 |
|--|-----------------|----------------|
| | Rupees in '000' | |
| Profit after taxation | 441,738 | 760,693 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 441,738 | 760,693 |

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

| | Share Capital | Revenue Reserves | | |
|---|------------------------------------|--------------------|-----------------------|------------------|
| | Issued, Subscribed & Paid up | General Reserve | Accumulated Profit | Total |
| | Rupees in '000' | | | |
| Balance as at June 30, 2016 | 501,600 | 550,000 | 2,181,850 | 3,233,450 |
| Total comprehensive income for the period ended June 30, 2017 | - | - | 760,693 | 760,693 |
| Transactions with owners recorded directly in equity | | | | |
| Final Cash dividend @ 20% for the year ended June 30, 2016 | - | - | (100,320) | (100,320) |
| Balance as at June 30, 2017 | <u>501,600</u> | <u>550,000</u> | <u>2,842,223</u> | <u>3,893,823</u> |
| Total comprehensive income for the period ended June 30, 2018 | - | - | 441,738 | 441,738 |
| Transactions with owners recorded directly in equity | | | | |
| Final Cash dividend @ 25% for the year ended June 30, 2017 | - | - | (125,400) | (125,400) |
| Balance as at June 30, 2018 | <u>501,600</u> | <u>550,000</u> | <u>3,158,561</u> | <u>4,210,161</u> |

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

2018
Rupees in '000'

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----------------|------------------|
| Profit before taxation | 599,628 | 1,091,492 |
| Adjustments for: | | |
| - Depreciation | 113,739 | 110,188 |
| - Reversal of WWF | (54,751) | - |
| - Gain on disposal of operating assets | (996) | (45) |
| - Unrealized (gain) / loss on re-measurement of investments | (4,515) | 724 |
| - Finance cost | 3,266 | 1,454 |
| | 56,743 | 112,321 |
| Operating profit before working capital changes | 656,371 | 1,203,813 |
| Effect on cash flow due to working capital changes | | |
| Increase in current assets | | |
| Stores, spares and loose tools | (87,498) | (46,985) |
| Stock-in-trade | (51,867) | (355,131) |
| Trade debtors - considered good | (59,341) | (3,524) |
| Loans, advances, deposits, prepayments and accrued markup | (53,834) | (38,618) |
| Increase in current liabilities | | |
| Trade and other payables | 152,372 | 186,673 |
| Cash generated from operations | 556,203 | 946,228 |
| Taxes paid | (234,047) | (468,432) |
| Long term deposits | (271) | (2,022) |
| Long term loans and advances | 3,665 | (11,123) |
| Net cash generated from operating activities | 325,550 | 464,651 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---|------------------|------------------|
| Capital expenditure | (113,710) | (67,797) |
| Short term investments made | (100,000) | (103,114) |
| Redemption of short term investment | 10 | - |
| Proceeds from disposal of property, plant and equipment | 1,527 | 206 |
| Net cash used in investing activities | (212,173) | (170,705) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|-----------------|------------------|
| Repayment against lease obligation | (2,297) | - |
| Finance leases obtained-net | 20,700 | - |
| Finance cost paid | (3,160) | (1,454) |
| Dividend paid | (113,184) | (164,066) |
| Net cash used in financing activities | (97,941) | (165,520) |
| Net increase in cash and cash equivalents | 15,436 | 128,426 |
| Cash and cash equivalents at the beginning of the year | 457,368 | 328,942 |
| Cash and cash equivalents at the end of the year | 472,804 | 457,368 |

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

Fecto Cement Limited (the Company) was incorporated in Pakistan on 28 February 1981 as a public limited company under the repealed Companies Act, 1913 (Repealed with the enactment of the Companies Ordinance, 1984 on October 8, 1984 and subsequently by Companies Act, 2017 on May 30, 2017) with its Registered Office situated at 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi, Sindh. The Company's Plant is located at Sangjani village Sangjani, Islamabad-4400. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is production and sale of Portland cement.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention except short term investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- Useful lives and residual values of property, plant and equipment (note 4.1)

- Provision for slow moving and obsolete stores and spares (note 4.4)
- Provision for doubtful debts (note 4.8)
- Provision for taxation (note 4.11)

2.5 Initial application of new standards and amendments to approved accounting standards

2.5.1 Amendments to approved accounting standards effective during the year ended June 30, 2018:

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these financial statements.

2.5.2 Standards and amendments to approved accounting standards that are effective for the Company's accounting periods beginning on or after July 1, 2018:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment

or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when

calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

3 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated 7 November, 2017.
- During the year, the Company transferred expenditure incurred on construction of non-factory building from capital work in progress (CWIP) to operating fixed assets which resulted in additional depreciation expense. (Refer Note 10). In addition to this, the Company obtained vehicle on finance lease from Askari Bank Limited. (Refer Note 6).
- The Company made short term investment in Term Finance Certificates issued by Silk Bank Limited. (Refer Note 16)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipments

4.1.1 Owned

Operating assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation and impairment losses, if any, except free hold land which is stated at cost. Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion.

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

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

| Items | Useful lives (Years) | Residual values (% of cost) |
|------------------------------------|-------------------------|--------------------------------|
| Factory building | 21.5 - 23.5 | - |
| Non-factory building | 21.5 - 23.5 | - |
| Plant, machinery and equipments | 7 - 23.5 | 5 |
| Quarry transport equipments | 8 - 10 | 5 |
| Furniture, fixtures and equipments | 3 - 10 | 0 - 5 |
| Motor vehicles | 5 | 10 |

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

4.1.2 Leased

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

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

4.2 Capital work in progress

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

4.3 Staff benefits

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

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

4.4 Stores and spares

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

4.5 Stock-in-trade

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

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

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

4.6 Financial assets

4.6.1 Classification :

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

c) Held to maturity

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts' and 'short term loans' in the statement of financial position.

4.6.2 Recognition, measurement and derecognition

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets

are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established.

4.6.3 Impairment

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

4.6.4 Offsetting

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

4.7 Financial liabilities

Financial liabilities include liabilities against asset subject, accrued markup and trade and other payables. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method.

4.8 Trade and other receivables

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

4.9 Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances.

4.10 Foreign currency translation

Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the statement of financial position date. All exchange differences arising on transaction are charged to profit and loss account in that period.

4.11 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In that case the tax is also recognized in other comprehensive income or directly in equity, respectively. Income tax expense comprises current and deferred tax. Income tax expense is recognised in

profit and loss account.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted by or substantively enacted at the statement of financial position date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or minimum tax u/s 113 of Income Tax Ordinance, 2001 after taking into account tax credits or Alternative corporate tax u/s 113C of Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is recognized using the balance sheet method, providing for temporary differences, at the statement of financial position date, between carrying amount and the tax base of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and /or carry forward of unused tax losses or tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position.

4.12 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.

4.13 Provisions

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

4.14 Revenue recognition

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- the company has transferred to the customer the significant risks and rewards of ownership;

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company recognises revenue from the sale of goods (including export sales) on dispatch of goods to its customers.

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

Dividend income is recognized when the right to receive the dividend is established. i.e. the book closure date of the investee company declaring the dividend.

4.15 Borrowing cost

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

4.16 Dividends and appropriations to reserves

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

4.17 Research and development costs

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2018 (Number of Shares) | 2017 | | 2018 Rupees in '000' | 2017 |
|----------------------------|-------------------|--|-------------------------|----------------|
| 45,600,000 | 45,600,000 | Ordinary shares of Rs. 10/- each issued as fully paid in cash | 456,000 | 456,000 |
| 4,560,000 | 4,560,000 | Ordinary shares of Rs. 10/- each issued as fully paid bonus shares | 45,600 | 45,600 |
| <u>50,160,000</u> | <u>50,160,000</u> | | <u>501,600</u> | <u>501,600</u> |

Note 2018 2017
Rupees in '000'

**6 LIABILITIES AGAINST ASSETS SUBJECT TO
FINANCE LEASE**

| | | |
|--|---------------|----------|
| Present value of minimum lease payments | 18,403 | - |
| Less : Current portion shown under current liabilities | (3,646) | - |
| | <u>14,757</u> | <u>-</u> |

The above represents finance leases entered into with Askari Bank Limited for lease of motor vehicle. The liability under the agreement is payable by October 2022 in 60 monthly installments and is subject to interest rate of 6 months KIBOR plus 2% (2017 : Nil).

| | Minimum Lease payment | 2018 Finance Charge | Present value of minimum lease payments (Rupees in '000') | Minimum Lease payment | 2017 Finance Charges | Present value of minimum lease payments |
|--|-----------------------------|---------------------------|---|-----------------------------|----------------------------|--|
| Not later than one year | 5,140 | 1,494 | 3,646 | - | - | - |
| Later than one year and not later than five years | 17,157 | 2,400 | 14,757 | - | - | - |
| | <u>22,297</u> | <u>3,894</u> | <u>18,403</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Note 2018 2017
Rupees in '000'

7 DEFERRED TAXATION

| | | |
|---|----------------|----------------|
| Taxable temporary differences arising in respect of : Accelerated tax depreciation | 345,334 | 383,620 |
| Deductible temporary difference arising in respect of : | | |
| Unrealized gain on short term investment | 1,129 | (181) |
| Provision against slow moving and obsolete spares | (4,035) | (3,994) |
| Provision for bad debts | (1,436) | (1,485) |
| Lease liability net of leased assets | 874 | - |
| | <u>341,866</u> | <u>377,960</u> |

| | Note | 2018 | 2017 |
|--|------|-----------------|----------------|
| | | Rupees in '000' | |
| 8 TRADE AND OTHER PAYABLES | | | |
| Creditors for Goods: | | | |
| Other creditors | | 345,397 | 168,596 |
| Associated company | | 7,371 | 213 |
| | | <u>352,768</u> | <u>168,809</u> |
| Accrued expenses | | 65,728 | 47,403 |
| Leave encashment payable | | 56,861 | 51,461 |
| Payable to Provident Fund | | 3,878 | 3,289 |
| Worker's profit participation fund payable | 8.1 | 32,203 | 58,620 |
| Worker's welfare fund payable | 8.2 | 38,969 | 102,333 |
| Advances from customers - unsecured | | 42,942 | 52,672 |
| Security deposits payable | 8.3 | 10,167 | 10,080 |
| Royalty payable | | 58 | 3 |
| Excise duty payable | | - | 15,118 |
| Sales tax payable | | 1,331 | 1,303 |
| Withholding income tax | | 4,145 | 1,421 |
| Other liabilities | | 19,633 | 18,550 |
| | | <u>628,683</u> | <u>531,062</u> |

8.1 Worker's profit participation fund payable

| | | |
|-------------------------------|---------------|----------------|
| Opening balance | 58,620 | 62,238 |
| Allocation for the year | 32,203 | 58,619 |
| | <u>90,823</u> | <u>120,857</u> |
| Less: Payment during the year | (58,620) | (62,237) |
| | <u>32,203</u> | <u>58,620</u> |

8.2 Worker's welfare fund payable

| | | |
|------------------------------|---------------|----------------|
| Opening balance | 102,333 | 80,058 |
| Provision for the year | 12,237 | 22,275 |
| Adjustment during the year | (20,850) | - |
| Reversal of excess provision | 54,751 | - |
| | <u>38,969</u> | <u>102,333</u> |

8.2.1 As per WWF Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Federal government through Finance Acts 2006 and 2008 amended the WWF Ordinance, 1971, where by the term 'total income' shall be considered as profit before taxation as per declaration of income in the return or as per accounts, whichever is higher. These amendments were challenged by the Company and other taxpayers in the Honourable Sindh High Court where it was decided in their favor in the year 2013-14. The Tax department filed an appeal against the order of the Honourable Sindh High Court in the Honourable Supreme Court where it was disposed off in favour of the taxpayers. Accordingly the Company has reversed the charge for WWF in respect of prior years' amounting to Rs. 54.751 million.

8.3 Security deposits payable

Amount utilized for the purpose of the business from the deposit is in accordance with requirements of written agreements, in terms of section 217 of the Companies Act 2017.

9 CONTINGENCIES AND COMMITMENTS

Contingencies

- 9.1 On 17 March 2015, the Company received a letter from Director Minerals, Industries and Labour Welfare Islamabad Capital Territory (ICT) informing the Company that the lease issued to it for mining had been cancelled in pursuance of the orders of the Honourable Supreme Court of Pakistan dated 16 March 2015. The said order was passed in a petition filed, dated 10 February 2015, seeking contempt proceedings to implement the order passed by the Honourable Supreme Court of Pakistan on 25 October 2013, whereby, the Honourable Supreme Court of Pakistan ordered Chairman ICT, Chairman National Highway Authority and other executing agencies to cease any activities towards construction of tunnel in the Margalla Hills enroute to the province of Khyber Pakhtunkhwa (KPK), moreover, CDA was also instructed not to grant further licenses for crushing of stones and immediately stop any such activities carried on. The Company also received a letter from Capital Development Authority (CDA), informing them that CDA had withdrawn its NOC issued in favour of the Company. The Company has for the time being ceased excavation of raw materials however it has significant stocks of raw material to continue its operations and has also access to alternative sources of raw material. The company has filed a review petition in the Honorable Supreme Court of Pakistan against the order passed by the Court dated 25 October 2013. During the year the Honorable Supreme Court of Pakistan disposed off the review petition with an observation that since civil suits against demarcation of land and cancellation of lease are pending for adjudication in the Islamabad Civil Court hence the concerned court shall decide the case on its merit and any observation made in the order dated 25 October 2013 shall not cause prejudice to the petitioner i.e. the company.

As mentioned above, there had since been no further direct excavation of minerals, however management based on legal opinion of its legal counsel believes that the outcome of the pending litigation in the Civil Court of Islamabad would be in favour of the Company.

Further, a notice of recovery was served earlier on the Company by Deputy Director (Protection/Forest) creating a demand of Rs. 427.050 million as damage caused by the Company's mining activities and raised the matter before senior special magistrate (CDA).

The Company has challenged the recovery notice on the grounds that mining activities conducted by it were under valid lease issued to it by the authorities. Moreover, the penalty has been without any prior notice and without giving the Company an opportunity of being heard. The Company has also challenged the fact that penalty has been imposed without any basis for calculating the damage. Further, the company has filed a civil suit against CDA in Islamabad High Court.

The Court of senior special magistrate CDA in its order dated 13 October 2016 has decided that as the case is pending in the higher forum the matter will remain sub-judice in the court of senior special magistrate CDA till the decision comes from Islamabad Civil Court. The company in consultation with its legal advisors is confident that the matter will be decided in its favour.

- 9.2 The Competition Commission of Pakistan took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honorable Lahore High Court (LHC),

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

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

During the year the Supreme Court of Pakistan remanded the case back to the Competition Appellate Tribunal (CAT). The Company has filed petition in the Sindh High Court in relation to constitution mechanism of the tribunal, wherein the Sindh High Court granted stay against the notice. The SHC has ordered CAT not to pass a final order, till the case is decided. The Company's legal counsel is confident that the Company has a good case and there are reasonable chances of success, hence, no provision for the above is made in these financial statements.

- 9.3** Income tax returns up to tax year 2017 have been submitted with the tax authorities. For tax years 2009 to 2013, notices under section 122(9) of the Income Tax Ordinance, 2001 were issued on 13 April 2015 by the additional commissioner whereby the basis of allocation of expenses were changed from gross sales to net sales basis. The Company filed a writ petition on 11 May 2015 before the High Court of Sindh against notices served u/s 122(9). On 21 April 2017 High Court Sindh decided the matter in favor of the company on grounds that any successor-in-office including a Commissioner of Income Tax while exercising the powers u/s 122 (5A) cannot be permitted to further amend the assessment in respect of the same legal issue. Mean while on 20 April 2017, notices were issued by the Commissioner under section 122(9) for the tax year 2009 to 2011 and passed the order for the tax year 2009 on 24 April 2017 creating a demand of Rs. 43.93 million. On 29 May 2017 company filed an appeal before the learned Commissioner Inland Revenue (Appeals) (CIRA) challenging the order passed by the Commissioner, which was upheld by the learned CIRA on 20 November 2017. Subsequently, Company filed an appeal before Appellate Tribunal Inland Revenue (ITAT) whose decision dated 31 July 2018 was made in favor of the Company for the tax year 2009 stating that as per Rule 13 (3)(a) of the Income Tax Ordinance, 2001, the proration of expenditure is to be worked out on the basis of Gross Receipts inclusive of Sales Tax and Federal Excise Duty.

For the tax year 2010 and 2011, hearing has been affixed before the Income Tax Appellate Tribunal and legal adviser on the basis of Appellate Tribunal Order for the tax year 2009 is of the opinion that the decision will come in favor of the company.

For the Tax year 2012 the notice under section 122(9) of the Income Tax Ordinance, 2001 was issued by the Commissioner on the same basis and passed an order against the company date 28 June 2018. Subsequently the company filed an appeal before CIT(A) on 10 July 2018 where the hearing has been completed and subsequent to the year end, order was received on 27 August, 2018 where the case was decided in favour of the Company.

The Deputy Commissioner Inland Revenue amended assessment order for the tax year 2014 u/s 122(1) of the Income Tax Ordinance, 2001 via an order dated 8 June 2016 on the same earlier basis. Subsequently, the company filed appeal against DCIR before CIT(A) whose decision was made during the year in favor of the company via an order dated 22 May 2018.

For the tax year 2015, Additional Commissioner Inland Revenue issued notice u/s 122(9) of the Income Tax Ordinance, 2001 dated 23 February 2017 and passed the order u/s 122 (5A) dated 25 April 2017, creating a demand of Rs. 67 million. The company filed an appeal against ACIR before CIT(A) whose decision was made during the year in favor of the company via an order dated 21 June 2018.

- 9.4** The Company received a show cause notice dated 16 January 2015 from Deputy Commissioner Inland Revenue (DCIR) - Karachi alleging that the Company is suppressing the sales/ supply of cement for the tax year 2013 and 2014, and accordingly sales tax and Federal Excise Duty (FED) is also suppressed by Rs. 450.111 million and Rs. 131.675 million respectively. In response to the said notice, the Company justified its position and responded the matters raised in the said notice. On 9 September 2015, ACIR passed an order creating a demand for the recovery of sales tax and FED of Rs. 293.786 and Rs. 87.965 respectively.

The Company instituted an appeal on 11 November 2015 against the demand raised by ACIR before Commissioner Inland Revenue (Appeals) (CIRA) and decision was made by CIRA via an order dated 11 December 2015 whereby the order against the Company was annulled as being defective on legal as well as factual grounds including the fact that such order was time barred.

The order of Commissioner Inland Revenue (Appeals) has been challenged by the department before Appellate Tribunal Inland Revenue however, no hearings have been conducted over the matter. The Company based on the opinion of its sales tax advisor is confident that the matter will be decided in its favour and accordingly no amount would become payable in respect of these matters.

- 9.5** During the year an order was passed under section 11(2) of Sales Tax Act 1990 dated 2 March 2018, by the DCIR alleging the Company has claimed / adjusted inadmissible input tax adjustments in contravention of section 8 of the Sales Tax Act 1990 creating a demand for the recovery of Rs. 41.709 million u/s 11(2) of Sales Tax Act, 1990 along with the default surcharge u/s 34 and penalty of Rs. 2.054 million.

The company instituted an appeal on 29 March 2018 before CIT(A) against the order passed by DCIR. The case was remanded back by the CIR (Appeals-1) to the learned Deputy Commissioner for further verification vide order dated 12 June 2018 on grounds that the learned officer has passed the impugned order without verifying the nature, purpose, and usage of the subject purchases. The Company based on the opinion of its sales tax advisor is confident that no tax demand is outstanding in this respect.

- 9.6** An order was issued by Deputy Commissioner Inland Revenue (DCIR) dated 16 May 2018 under section 161(1A) of Income Tax Ordinance 2001 whereby alleging the company has not / short deducted the withholding tax under section 236H. A demand was raised by DCIR for the recovery of short / no tax deducted amounting to Rs. 7.133 million and a penalty of Rs. 1.452 million.

The company instituted an appeal on 27 March 2018 before CIRA against the order passed by DCIR. The case was remanded back by the CIR (Appeals-1) to the learned Deputy Commissioner for further verification vide order dated 4 July 2018 on grounds that the order was passed merely on the basis of assumptions / presumptions only. The Company based on the opinion of its legal advisor is confident that no tax demand is outstanding in this respect.

- 9.7** The Finance Act, 2017 has amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 7.5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 40% of its after tax profits within six (6) months of the end of the tax year through cash or bonus shares.

During last year, the Company filed a Constitutional Petition (CP) before the Sindh High Court (SHC) challenging the vires of Section 5A of the Income Tax Ordinance, 2001 seeking to declare the impugned section 5A ultra vires the Constitution of Pakistan and therefore illegal, void and of no legal effect. The SHC had issued stay orders earlier against the impugned section 5A to other petitioners and the Company's petition was admitted on same ground and stay has been granted on 25 September 2017 and notice issued to all concerned to be heard together with the other petitions on 12 October 2017. The case is still pending till the year end and no hearings are held yet.

9.8 Commitments

Commitments in respect of outstanding letters of credit as at June 30, 2018 amounted to Rs. 27.341 million (June 30, 2017: Rs. 177.603 million)

Note 2018 2017
Rupees in '000'

10 PROPERTY, PLANT AND EQUIPMENT

| | | | |
|--------------------------|------|------------------|-----------|
| Operating fixed assets | 10.1 | 1,822,063 | 1,793,514 |
| Capital work in progress | 10.2 | 2,469 | 31,578 |
| | | 1,824,532 | 1,825,092 |

10.1 Operating fixed assets

| | Freehold Land | Factory building | Non-factory building | Plant and machinery | Quarry transport equipments | Furniture, fixtures & equipments | Motor Vehicles | | Total |
|---------------------------------|----------------|------------------|----------------------|---------------------|-----------------------------|----------------------------------|----------------|-------------------------|------------------|
| | | | | | | | Owned | Leased (note-10.1.2) | |
| -----Rupees in 000----- | | | | | | | | | |
| As at June 30, 2016 | | | | | | | | | |
| Cost | 225,923 | 327,715 | 130,301 | 3,238,787 | 124,814 | 46,713 | 119,817 | - | 4,214,070 |
| Accumulated depreciation | - | (250,747) | (85,739) | (1,802,931) | (103,216) | (42,930) | (61,669) | - | (2,347,232) |
| | 225,923 | 76,968 | 44,562 | 1,435,856 | 21,598 | 3,783 | 58,148 | - | 1,866,838 |
| Year ended June 30, 2017 | | | | | | | | | |
| Opening net book value | 225,923 | 76,968 | 44,562 | 1,435,856 | 21,598 | 3,783 | 58,148 | - | 1,866,838 |
| Additions / transfers | - | - | - | 33,708 | - | - | 3,318 | - | 37,026 |
| Disposals | | | | | | | | | |
| Cost | - | - | - | - | - | - | (1,613) | - | (1,613) |
| Accumulated depreciation | - | - | - | - | - | - | 1,451 | - | 1,451 |
| | - | - | - | - | - | - | (162) | - | (162) |
| Depreciation for the year | - | (5,177) | (3,020) | (81,503) | (4,784) | (1,429) | (14,275) | - | (110,188) |
| Closing net book value | 225,923 | 71,791 | 41,542 | 1,388,061 | 16,814 | 2,354 | 47,029 | - | 1,793,514 |
| As at June 30, 2017 | | | | | | | | | |
| Cost | 225,923 | 327,715 | 130,301 | 3,272,495 | 124,814 | 46,713 | 121,522 | - | 4,249,483 |
| Accumulated depreciation | - | (255,924) | (88,759) | (1,884,434) | (108,000) | (44,359) | (74,493) | - | (2,455,969) |
| | 225,923 | 71,791 | 41,542 | 1,388,061 | 16,814 | 2,354 | 47,029 | - | 1,793,514 |
| Year ended June 30, 2018 | | | | | | | | | |
| Opening net book value | 225,923 | 71,791 | 41,542 | 1,388,061 | 16,814 | 2,354 | 47,029 | - | 1,793,514 |
| Additions / transfers | - | - | 104,687 | - | - | 11,732 | 1,370 | 25,030 | 142,819 |
| Disposals | | | | | | | | | |
| Cost | - | - | - | - | - | - | (5,267) | - | (5,267) |
| Accumulated depreciation | - | - | - | - | - | - | 4,736 | - | 4,736 |
| | - | - | - | - | - | - | (531) | - | (531) |
| Depreciation for the year | - | (5,177) | (3,762) | (82,112) | (4,165) | (1,111) | (14,033) | (3,379) | (113,739) |
| Closing net book value | 225,923 | 66,614 | 142,467 | 1,305,949 | 12,649 | 12,975 | 33,835 | 21,651 | 1,822,063 |
| As at June 30, 2018 | | | | | | | | | |
| Cost | 225,923 | 327,715 | 234,988 | 3,272,495 | 124,814 | 58,445 | 117,625 | 25,030 | 4,387,035 |
| Accumulated depreciation | - | (261,101) | (92,521) | (1,966,546) | (112,165) | (45,470) | (83,790) | (3,379) | (2,564,972) |
| | 225,923 | 66,614 | 142,467 | 1,305,949 | 12,649 | 12,975 | 33,835 | 21,651 | 1,822,063 |

- 10.1.1** Freehold land represents 200.18 acres of land situated at Sangjiani village Sangjiani, Islamabad on which factory and non factory buildings are constructed. The property is utilized as manufacturing facility for the production of cement.

Further, it comprises land of 1,598.33 sq. yds. situated at House # 339, westridge 1, Peshawar road, Rawalpindi. The property is utilized as marketing office of the Company.

Note **2018** **2017**
Rupees in '000'

10.1.2 Detail of addition in vehicle leased:

| | | |
|---|---------------|---|
| Initial recognition - against lease liability | 23,000 | - |
| Incidental cost incurred by the Company | 2,030 | - |
| | 25,030 | - |

10.1.3 Allocation of depreciation expense

| | | |
|----------------------------------|----------------|---------|
| Excavation / Transportation Cost | 19,653 | 20,017 |
| Manufacturing Cost | 80,067 | 78,869 |
| Administrative Expenses | 9,627 | 8,233 |
| Distribution Cost | 4,392 | 3,069 |
| | 113,739 | 110,188 |

10.1.4 Particulars of disposal during the year

| PARTICULAR OF ASSETS | COST | ACCUMULATED DEPRECIATION | BOOK VALUE | SALES PROCEEDS | (GAIN)/LOSS ON DISPOSAL | MODE OF DISPOSAL | RELATION | PARTICULARS OF PURCHASER |
|-----------------------------|--------------|--------------------------|------------|----------------|-------------------------|------------------|----------|---|
| ----- Rupees in '000' ----- | | | | | | | | |
| Toyota Land Cruiser MJ-459 | 5,182 | 4,663 | 519 | 1,500 | 981 | Negotiation | Employee | Mr. Kaiser Mehmood CNIC # 37405-0327432-9 Kaghan House, 41-National Park Road, Rawalpindi Cantt |
| Suzuki Motorcycle KGE-731 P | 85 | 73 | 12 | 27 | 15 | Negotiation | None | Ashfaq Autos CNIC # 41303-1590789-1 Shop # 6-7, KDA Market, Akbar Road, Saddar, Karachi |
| | 5,267 | 4,736 | 531 | 1,527 | 996 | | | |

Note **2018** **2017**
Rupees in '000'

10.2 Capital work in progress

| | | |
|---------------------------------------|------------------|--------|
| Building and others | | |
| Opening balance | 31,578 | 806 |
| Additions during the year | | |
| -non-factory building | 87,131 | 30,772 |
| | 118,709 | 31,578 |
| Transferred to operating fixed assets | (116,240) | - |
| Closing balance | 2,469 | 31,578 |

11 LONG TERM DEPOSITS

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

12 LONG TERM LOANS AND ADVANCES

Long term loan - unsecured, considered good

-Employees - interest free

-Executives - interest free

Advances - secured, considered good

Less: Current portion

| Note | 2018 Rupees in '000' | 2017 |
|------|-------------------------|---------|
| | 4,236 | 3,316 |
| 12.1 | 340 | 2,969 |
| 12.2 | 17,801 | 18,125 |
| | 22,377 | 24,410 |
| | (7,843) | (6,211) |
| | 14,534 | 18,199 |

12.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.686 million (2017: Rs. 2.148 million). The loan to executives and employees are in accordance with the terms of their employment.

12.2 This represent advances provided to major cement dealers for onward supply of cement and is secured against truck ownership documents.

13 STORES AND SPARES

Stores - in hand

- in transit

Spares

Provision against slow moving and obsolete spares

| Note | 2018 Rupees in '000' | 2017 |
|------|-------------------------|----------|
| | 173,262 | 328,540 |
| | 215,645 | 29,029 |
| 13.1 | 661,881 | 605,721 |
| 13.2 | (15,000) | (15,000) |
| | 1,035,788 | 948,290 |

13.1 Spares mainly comprise of consumable spare parts held by the Company for the purpose of maintenance of the plant to ensure continuous operations of the plant.

13.2 This represents general provision made in previous years against slow moving and obsolete spares. The provision is being retained as a matter of prudence pending review based on aging analysis.

| Note | 2018 | 2017 |
|------|-----------------|------|
| | Rupees in '000' | |

14 STOCK-IN-TRADE

| | | |
|------------------|------------------|------------------|
| Finished goods | 41,288 | 32,657 |
| Work in process | 441,613 | 452,115 |
| Raw material | 801,123 | 763,238 |
| Packing material | 45,017 | 29,164 |
| | <u>1,329,041</u> | <u>1,277,174</u> |

15 TRADE DEBTS

Unsecured

| | | |
|------------------------------|---------------|---------------|
| Considered good | 75,428 | 16,087 |
| Considered doubtful | 4,951 | 4,951 |
| | <u>80,379</u> | <u>21,038</u> |
| Provision for doubtful debts | (4,951) | (4,951) |
| | <u>75,428</u> | <u>16,087</u> |

16 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss- Held for trading:

Investments in Mutual Funds

NBP - NAFA

UBL - AL AMEEN

| | | |
|------|----------------|----------------|
| | 54,214 | 51,469 |
| | 52,691 | 50,921 |
| 16.1 | <u>106,905</u> | <u>102,390</u> |

Financial assets at cost

Investment in Silk Bank Limited- Term Fiance Certificate

Term Finance Certificate

| | | |
|------|----------------|----------------|
| 16.3 | <u>99,990</u> | <u>-</u> |
| | <u>206,895</u> | <u>102,390</u> |

16.1 Gain on remeasurement of investments in

Mutual Funds

Market value

Cost of the investment

| | | |
|--|--------------|--------------|
| | 106,905 | 102,390 |
| | 103,114 | 103,114 |
| | <u>3,791</u> | <u>(724)</u> |

| Note | 2018 | 2017 |
|------|----------------|------|
| | Rupees in '000 | |

16.2 Unrealized gain / (loss) on the re measurement of investment carried at fair value through profit or loss-held for trading

| | | |
|--|-------|-------|
| At the beginning of the year | (724) | - |
| Net unrealized gain / (loss) in the value of investment for the year | 4,515 | (724) |
| Cumulative unrealized gain / (loss) | 3,791 | (724) |

16.3 These represents investment in Term Finance Certificates (TFC) issued by Silk Bank Limited carrying markup rate of 6 months KIBOR plus 1.85% (2017: Nil) with maturity in August 2025. The TFC's are unsecured and repayments, including principal and markup, are made semi annually. The Company intends to dispose the investment within next 12 months.

| Note | 2018 | 2017 |
|------|----------------|------|
| | Rupees in '000 | |

17 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND ACCRUED MARKUP

| | | | |
|--|------|---------|--------|
| Current portion of long term loans -unsecured, considered good | 12 | 7,843 | 6,211 |
| Advances to Suppliers and contractors - unsecured, considered good | | 13,146 | 6,872 |
| Margin against Bank Guarantee | 17.1 | 11,000 | 11,000 |
| Advance sales tax and FED | | 91,107 | 40,060 |
| Deposits | | 15 | 113 |
| Prepayments | | 1,964 | 6,565 |
| Accrued markup | | - | 420 |
| | | 125,075 | 71,241 |

17.1 This represents 10 % (2017 : 10%) margin given to Silk bank Limited against the bank guarantee of Rs.110 million (2017: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

| Note | 2018 | 2017 |
|------|----------------|------|
| | Rupees in '000 | |

18 CASH AND BANK BALANCES

| | | | |
|---------------------------------|------|---------|---------|
| Cash in hand | | 666 | 881 |
| Cash at bank | | | |
| in current accounts | | 145,897 | 54,102 |
| in savings and deposit accounts | 18.1 | 326,241 | 402,385 |
| | | 472,804 | 457,368 |

18.1 The return on these balances ranges from 4% to 5% (2017: 4% to 5%) per annum on daily product basis.

| | Note | 2018 Rupees in '000 | 2017 |
|---|--------|------------------------|-------------|
| 19 TURNOVER - NET | | | |
| Sales - Local | | 6,567,026 | 6,256,621 |
| Less: Trade Discount | | (38,960) | (36,689) |
| Excise duty | | (912,662) | (659,974) |
| Sales tax | | (1,068,892) | (1,008,354) |
| | | (2,020,514) | (1,705,017) |
| | | 4,546,512 | 4,551,604 |
| Export sales | | 354,637 | 576,612 |
| Export rebate | | 1,635 | 2,528 |
| | | 356,272 | 579,140 |
| | | 4,902,784 | 5,130,744 |
| 20 COST OF SALES | | | |
| Raw and packing material consumed: | | | |
| Opening stock | | 792,402 | 668,285 |
| Purchases | | 472,464 | 607,830 |
| Excavation / Transportation cost | 20.1 | 210,232 | 184,458 |
| | | 1,475,098 | 1,460,573 |
| Closing stock | | (846,140) | (792,402) |
| | | 628,958 | 668,171 |
| Fuel and power | | 2,502,017 | 2,421,367 |
| Stores and spares consumed | | 140,670 | 135,852 |
| Salaries, wages and benefits | 20.2 | 428,371 | 396,284 |
| Insurance | | 26,434 | 26,187 |
| Repairs and maintenance | | 3,637 | 15,381 |
| Depreciation | 10.1.3 | 80,067 | 78,869 |
| Other manufacturing overheads | | 63,454 | 62,871 |
| | | 3,873,608 | 3,804,982 |
| Opening work-in-process | | 452,115 | 227,848 |
| Closing work-in-process | | (441,613) | (452,115) |
| Cost of goods manufactured | | 3,884,110 | 3,580,715 |
| Opening finished goods | | 32,657 | 25,910 |
| Closing finished goods | | (41,288) | (32,657) |
| | | 3,875,479 | 3,573,968 |

20.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 34.552 million (2017: Rs. 30.651 million) and Rs. 1.822 million (2017: Rs. 0.826 million) respectively. (Refer note 9.1 also)

20.2 This includes Company's contribution to provident fund amounting to Rs. 12.101 million (2017: Rs. 10.540 million).

| | Note | 2018 Rupees in '000' | 2017 |
|---|-------------|-------------------------|----------------|
| 21 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | 21.1 | 164,508 | 146,713 |
| Traveling and conveyance | | 5,409 | 7,106 |
| Vehicles running expenses | | 8,815 | 8,656 |
| Communications | | 3,847 | 4,196 |
| Printing and stationery | | 1,358 | 1,495 |
| Rent, rates and taxes | | 11,018 | 11,350 |
| Utilities | | 8,437 | 9,398 |
| Repairs and maintenance | | 1,545 | 3,080 |
| Legal and professional charges | | 41,382 | 21,863 |
| Auditors' remuneration | 21.2 | 1,010 | 1,212 |
| Donations | 21.3 & 21.4 | 5,006 | 4,686 |
| Depreciation | 10.1.3 | 9,627 | 8,233 |
| Preliminary expenditure on new cement plant | | 24,456 | - |
| Miscellaneous | | 9,173 | 13,405 |
| | | <u>295,591</u> | <u>241,393</u> |

21.1 This includes Company's contribution to provident fund amounting to Rs. 4.439 million (2017: Rs. 4.686 million).

| | Note | 2018 Rupees in '000' | 2017 |
|------------------------------------|--------|-------------------------|--------------|
| 21.2 Auditors' remuneration | | | |
| Audit fee | | 800 | 800 |
| Half yearly review | | 125 | 120 |
| Other services | 21.2.1 | 85 | 85 |
| Out of pocket expenses | | - | 207 |
| | | <u>1,010</u> | <u>1,212</u> |

21.2.1 This represents auditor's fee charged for issuance review report on statement of compliance contained in listed Companies (Code of Corporate Governance) Regulations, 2017.

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

21.4 The names of donees to whom donation amount exceeds Rupees 500,000 are Armed Forces Bone Marrow Transplant Centre, Mehmood Anwar Khan and Sher Dil Khan.

| | Note | 2018 Rupees in '000' | 2017 |
|------------------------------|--------|-------------------------|----------------|
| 22 DISTRIBUTION COST | | | |
| Salaries, wages and benefits | 22.1 | 48,929 | 45,745 |
| Commission | | 124,587 | 103,563 |
| Export expenses | | 1,863 | 3,168 |
| Traveling and conveyance | | 515 | 425 |
| Vehicles running expenses | | 2,738 | 2,631 |
| Communications | | 988 | 687 |
| Rent, rates and taxes | | 1,691 | 2,505 |
| Repairs and maintenance | | 319 | 348 |
| Advertisement | | 62 | 48 |
| Marking fee | | 4,982 | 5,206 |
| Depreciation | 10.1.3 | 4,392 | 3,069 |
| Miscellaneous | | 4,570 | 4,639 |
| | | <u>195,636</u> | <u>172,034</u> |

22.1 This includes Company's contribution to provident fund amounting to Rs. 1.639 million (2017: Rs.1.630 million) .

| | Note | 2018 Rupees in '000' | 2017 |
|-----------------------------|------|-------------------------|--------------|
| 23 FINANCE COST | | | |
| Markup on: | | | |
| Running finance | | 6 | 2 |
| Lease | | 1,175 | - |
| Bank commission and charges | | <u>2,085</u> | <u>1,452</u> |
| | | <u>3,266</u> | <u>1,454</u> |

| | | | |
|--|------|----------------|---------------|
| 24 OTHER INCOME | | | |
| Income from financial assets | | | |
| Markup on bank deposits | | 27,986 | 26,218 |
| Markup on long term advance | | - | 29 |
| Markup on TFC | | 7,275 | - |
| Realized capital gain on short term investments | | - | 1,920 |
| Unrealized gain / (loss) on remeasurement of short term investment | 16.2 | 4,515 | (724) |
| Dividend income on short term investments | | - | 2,227 |
| Accretion of discount | | - | 134 |
| | | <u>39,776</u> | <u>29,804</u> |
| Income from non-financial assets | | | |
| Gain on sale of operating assets | | 996 | 45 |
| Reversal of WWF | | 54,751 | - |
| Scrap sales | | 15,032 | 638 |
| Miscellaneous | | 701 | 4 |
| | | <u>71,480</u> | <u>687</u> |
| | | <u>111,256</u> | <u>30,491</u> |

| | Note | 2018 Rupees in '000' | 2017 |
|--|---------|-----------------------------|------------------|
| 25 OTHER EXPENSES | | | |
| Workers' profit participation fund | | 32,203 | 58,619 |
| Workers' welfare fund | | 12,237 | 22,275 |
| | | <u>44,440</u> | <u>80,894</u> |
| 26 TAXATION | | | |
| 26.1 Relationship between income tax expense and accounting profit before taxation | | <u>599,628</u> | <u>1,091,492</u> |
| Tax at the applicable rate of 30% (2017: 31%) | | 179,888 | 338,363 |
| Tax effect of prior year tax charge | | (4,575) | - |
| Net tax effect of items taxed at different rate | | (8,553) | (34,334) |
| Effect of | | | |
| - Super Tax | | 27,400 | 31,405 |
| - change in deferred tax rate | | (12,599) | (25,247) |
| - change in rate for apportionment of expenses | | 17,069 | 24,933 |
| - income not chargeable to tax | | (16,425) | - |
| Reversal of amortization of initial allowance | | (28,658) | (5,057) |
| Others | | 4,343 | 736 |
| Net tax charge for the year | | <u>157,890</u> | <u>330,799</u> |
| 26.2 The income tax assessments of the Company have been deemed to be finalised up to and including the tax year 2017 with the exception of certain pending proceeding as referred in note 9.3. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit. In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows: | | | |
| | 2017 | 2016 Rupees in '000' | 2015 |
| Income tax provision for the year - accounts | 356,783 | 377,184 | 90,473 |
| Income tax as per tax assessment | 326,393 | 335,117 | 97,707 |
| 27 EARNINGS PER SHARE - Basic and Diluted | | 2018 | 2017 |
| Earning after taxation | | <u>441,738</u> | <u>760,693</u> |
| | | — Numbers in '000' — | |
| Weighted average number of ordinary shares | | <u>50,160</u> | <u>50,160</u> |
| | | — Rupees — | |
| Earnings per share | | <u>8.81</u> | <u>15.17</u> |

28 OPERATING SEGMENTS

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

- Revenue from sale of cement represents 100% (2017 : 100%) of the total revenue of the Company.
- 95% (2017: 92%) gross sales of the Company relates to customers in Pakistan.
- All non-current assets of the Company at 30 June 2018 are located in Pakistan.
- The amount of revenue from one major customer having sales of more than 10% of total sales amounts to Rs. 732.07 million, excluding sales tax and Federal Excise Duty, during the year ended 30 June 2018 (2017: 1,100.01 million). The major customer resides in Pakistan.

29 REMUNERATION OF DIRECTORS AND EXECUTIVES

29.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds twelve hundred thousand rupees in a financial year

29.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive Officer, Directors and Other Executives of the Company are given below:

| | 2018 | | | | 2017 | | | |
|--------------------------|-----------------|--------------------|---------------|-----------|-----------------|--------------------|---------------|-----------|
| | Chief Executive | Director Executive | Non-executive | Executive | Chief Executive | Director Executive | Non-executive | Executive |
| | Rupees in '000' | | | | | | | |
| Managerial remuneration | 26,317 | - | - | 131,680 | 11,273 | 10710 | - | 106,588 |
| Bonus | 2,423 | - | - | 17,436 | 3,028 | 3,028 | - | 16,529 |
| Retirement benefits | - | - | - | 8,703 | - | - | - | 6,838 |
| Reimbursable perquisites | 1,683 | - | - | 8,144 | 726 | 690 | - | 6,591 |
| Meeting fee | - | - | 135 | - | - | - | 145 | - |
| | 30,423 | - | 135 | 165,963 | 15,027 | 14,428 | 145 | 136,546 |
| | | | | | | | | |
| Number of persons | 1 | - | 8 | 35 | 1 | 1 | 7 | 30 |

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

30 TRANSACTIONS / BALANCES WITH RELATED PARTIES

The related parties comprise of parties related to group companies (associated companies), key management personnel of the Company and directors and their close family members, staff provident fund, executives and major shareholders of the Company. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment while contribution to the provident fund is in accordance with the staff service rule. Mr. Mohammad Yasin Fecto (Chief Executive Officer of the Company) is the common director and hold 99.5% shares of Frontier Paper Products (Private) Ltd. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements were as follows:

| | Note | 2018 | 2017 |
|---|------|-----------------|------------|
| | | Rupees in '000' | |
| Associated company Frontier Paper Products (Private) Limited | | | |
| Balance ast the beginning of the year | | 213 | 2,412 |
| Purchases during the year | | 338,285 | 305,107 |
| Payments during the year | | (331,127) | (307,306) |
| Balance at the end of the year | | <u>7,371</u> | <u>213</u> |

Key Management personnel

| | | |
|--|-------|-------|
| Disbursement of advances to key management personnel | - | 1,525 |
| Repayment of advances by key management personnel | 1,459 | 1,676 |
| Balance at the end of the period | 340 | 2,968 |
| Provident Fund Contribution payable | 3,878 | 3,289 |

31 PROVIDENT FUND RELATED DISCLOSURE

The Company operates approved funded contributory provident funds for both its management and non-management employees. Details of net assets and investments of these funds as per the unaudited accounts as at 30 June 2018 are as follows:

| | Un-Audited 2018 | 2017 |
|-----------------------------------|--------------------|---------|
| | Rupees in '000' | |
| Size of the fund - Net assets | 379,542 | 359,436 |
| Cost of the investment made | 384,874 | 347,793 |
| Percentage of the investment made | 101% | 97% |
| Fair value of the investment made | 368,314 | 346,382 |

The break up of cost of the investment is:

| | 2018 (Uuaudited) | | 2017 (Audited) | |
|-----------------------|------------------|-----|----------------|-----|
| | Amount | % | Amount | % |
| Bank balance | 43,631 | 11% | 22,844 | 7% |
| Term deposit receipts | 212,500 | 55% | 196,397 | 56% |
| Mutual funds | 128,743 | 33% | 128,552 | 37% |
| | <u>384,874</u> | | <u>347,793</u> | |

The management, based on the un-audited financial statements of the funds, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

2018 **2017**
Metric Tons

32 GENERAL INFORMATION

32.1 CAPACITY, PRODUCTION (CLINKER)

| | | |
|---------------------------------|-----------------------|----------------|
| Production Capacity - (Cement) | <u>869,400</u> | <u>869,400</u> |
| Production Capacity - (Clinker) | <u>828,000</u> | <u>828,000</u> |
| Actual Production Cement | <u>793,063</u> | <u>773,180</u> |
| Actual Production Clinker | <u>744,402</u> | <u>789,904</u> |

The capacity utilization of the Company during the current year remained under utilized due to market situation.

32.2 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

| | Note | 2018 | 2017 |
|---|-------------|------------------------|-------------|
| | | Rupees in '000' | |
| Factory Employees | | | |
| Total number of employees as at June 30 | | <u>772</u> | <u>769</u> |
| Average number of employees during the year | | <u>771</u> | <u>776</u> |
| Non-Factory Employees | | | |
| Total number of employees as at June 30 | | <u>58</u> | <u>62</u> |
| Average number of employees during the year | | <u>59</u> | <u>63</u> |

33 FINANCIAL INSTRUMENTS

33.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

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

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

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

| | 2018 | | 2017 | |
|---|----------------|---------------------------------------|----------------|------------------|
| | Balance sheet | Maximum exposure (Rupees in '000') | Balance sheet | Maximum exposure |
| - Trade debts | 75,428 | 75,428 | 16,087 | 16,087 |
| - Long term deposits | 6,805 | 6,805 | 6,536 | 6,536 |
| - Long term loan and advances | 14,534 | 14,534 | 18,197 | 18,197 |
| - Loans, advances, deposits and accrued mark-up | 32,004 | 32,004 | 24,616 | 24,616 |
| - Short term investments | 206,985 | 206,895 | 102,390 | 102,390 |
| - Bank balances | 472,138 | 472,138 | 456,487 | 456,487 |
| | 807,804 | 807,804 | 624,313 | 624,313 |

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

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

| | Note | 2018 Rupees in '000' | 2017 |
|----------------------|------|-------------------------|--------|
| Dealer / distributor | | 78,036 | 14,121 |
| End-user customers | | 2,343 | 1,966 |

Impairment losses

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

| | 2018 | | 2017 | |
|---------------------------|---------------|--------------|---------------|--------------|
| | Gross | Impairment | Gross | Impairment |
| Past due 1-60 days | 73,197 | - | 13,938 | - |
| Past due 61 days - 1 year | 1 | - | 366 | - |
| More than one year | 7,181 | 4,951 | 6,734 | 4,951 |
| | 80,379 | 4,951 | 21,038 | 4,951 |

ii) **Liquidity risk**

| 2018 | | | | | |
|-------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to five years | More than five years |
| (Rupees in '000') | | | | | |
| 18,403 | 22,297 | 2,570 | 2,570 | 17,157 | - |
| 106 | 106 | 106 | - | - | - |
| 30,052 | 30,052 | 30,052 | - | - | - |
| 377 | 377 | 377 | - | - | - |
| 513,238 | 513,238 | 513,238 | - | - | - |
| 562,176 | 566,070 | 546,343 | 2,570 | 17,157 | - |

| 2017 | | | | | |
|-------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to five years | More than five years |
| (Rupees in '000') | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 17,851 | 17,851 | 17,851 | - | - | - |
| 362 | 362 | 362 | - | - | - |
| 301,016 | 301,016 | 301,016 | - | - | - |
| 319,229 | 319,229 | 319,229 | - | - | - |

iii) **Market risk**

59

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to foreign currency risk on sales to the extent that, orders placed are denominated in a currency other than Pak Rupees that is Dollar(\$), However, the foreign currency is converted into Pak rupee at the time of receipt and then deposited into bank account.

Company is not exposed to currency risk as there are no foreign currency balances outstanding as at year end.

Interest rate risk

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

| | Note | 2018 Rupees in '000' | 2017 |
|--|------|-------------------------|----------------|
| Financial assets | | | |
| <i>Fixed rate instrument</i> | | | |
| Bank balances - saving and deposit accounts | 18.1 | <u>326,241</u> | <u>402,385</u> |
| <i>Variable rate instrument</i> | | | |
| Term finance certificates | 16.3 | <u>99,990</u> | <u>-</u> |
| Financial liabilities | | | |
| Variable rate instrument | | | |
| Liabilities against asset subject to finance lease | 6 | <u>18,403</u> | <u>-</u> |
| Fair value sensitivity analysis for fixed rate instruments | | | |

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased /(decreased) profit or loss by 4.08 million (2017: 4.02 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for current and last year.

Other Price Risk

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from

uncertainties about future value of investments securities. As at balance sheet date, short term investments of the Company is exposed to equity price risk.

Collateral

The Company has created charge over its fixed assets and current assets in order to fulfil the collateral requirements for various financing facilities.

33.2 Fair value of financial assets and liabilities

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

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

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

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

The Company has no financial instrument being valued at Level 3 of the fair value hierarchy.

33.3 Capital risk management

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

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

The Company is not required to maintain any regulatory capital.

34 GENERAL

34.1 The Board of Directors in its meeting held on September 27, 2018 has proposed a final cash dividend of 20% i-e Rs. 2.00 per share for the year (2017: 25%) for approval of the members of the company in forthcoming Annual General Meeting.

These financial statements do not include the effect of the proposed final cash dividend of Rs. 100.32 million (2017: Rs. 125.40 million) which will be accounted for in the financial statements for the year ending 30 June 2019.

34.2 The figures of the corresponding period have been reclassified wherever necessary to achieve better presentation. Major reclassification made in the corresponding figures are as under:

| Reclassification from component | Reclassification to component | Rupees in '000' |
|---------------------------------|--|-----------------|
| Taxation - net | Trade and other payable Withholding tax payable | <u>1,421</u> |
| Cost of sales Fuel and power | Cost of sales Other manufacturing overheads | <u>9,969</u> |

34.3 These financial statements were authorised for issue in the board of directors meeting held on September, 27, 2018.

34.4 Figures have been rounded off to the nearest thousand rupees.



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER

تقسیم منافع

بورڈ کی جانب سے تقسیم منافع کے سلسلے میں درج ذیل منظوری دی گئی ہے:

| | |
|-----------------|---|
| روپے ہزاروں میں | |
| 441,738 | منافع بعد از ٹیکس |
| 2,842,223 | غیر تقسیم شدہ منافع گزشتہ |
| 3,283,961 | رقم دستیاب برائے تقسیم منافع |
| | تقسیم منافع |
| 125,400 | حتمی ڈیوڈنڈ بصورت نقدی برائے مالی سال 30 جون 2017 ادا شدہ بشرح 25% یعنی |
| | مبلغ 2.50 روپے فی حصص |
| 3,158,561 | غیر تقسیم شدہ منافع آگے منتقل شدہ |

مابعد اثرات

کمپنی کے بورڈ کی جانب سے اس کے اجلاس مؤرخہ 27 ستمبر 2018 میں یہ تجویز پیش کی گئی ہے کہ حتمی طور پر ڈیوڈنڈ بطور نقدی مبلغ 20% یعنی (2 روپے فی حصص) ادا کیے جائیں اور اس کی منظوری 25 اکتوبر 2018ء کو ممبران کے ہونے والے سالانہ اجلاس میں لی جائے گی۔

اظہار تشکر

کمپنی کے ڈائریکٹرز تمام اسٹاف اور ورکروں کے تہہ دل سے مشکور ہیں کہ ان کی محنت شاقہ ہمارے شامل حال رہی۔ اس کے علاوہ تمام ڈیلروں کا بھی تہہ دل سے شکریہ ادا کیا جاتا ہے جنہوں نے ہماری تمام مارکنگ پالیسیوں کی مکمل حمایت کی۔ ہم اس موقع پر تمام مالیاتی اداروں اور بینکوں کے بھی بے حد مشکور ہیں کہ کمپنی کے کاروباری افعال میں ہمیں ان کا مکمل تعاون حاصل رہا۔

منجانب بورڈ



روحیل اجمل
ڈائریکٹر



محمد یسین فیکٹو
چیف ایگزیکٹو

کراچی: 27 ستمبر 2018

کان کنی لیز کی تینخ

آڈیٹروں کی جانب سے ممبران کی توجہ نوٹ نمبر 9.1 کان کنی کی تینخ کی جانب مبذول کرائی گئی ہے۔ جیسا کہ ہم گزشتہ رپورٹس میں اپنے معزز ممبران کو اس بات سے آگاہ کر چکے ہیں۔ 17 مارچ 2015 کو کمپنی کو ڈائریکٹر اینڈ سٹریٹجی لیبر آئی سی ٹی اسلام آباد کی جانب سے ایک لیٹر موصول ہوا جس میں اس بات کی اطلاع دی گئی تھی کہ مبینہ طور پر سپریم کورٹ آف پاکستان کے حکم مؤرخہ 16 مارچ 2015 کی روشنی میں کمپنی کی کان کنی کی لیز کو منسوخ کیا جا رہا تھا۔ اس کے علاوہ کمپنی کو کیپٹل ڈیولپمنٹ اتھارٹی (سی ڈی اے) کی جانب سے بھی ایک لیٹر موصول ہوا جس میں اس بات کا ذکر کیا گیا تھا کہ سی ڈی اے کی جانب سے آئی سی ٹی کو جاری کردہ این اوسی کو منسوخ کیا جا رہا تھا۔ دراصل مذکورہ بالا حکم سپریم کورٹ کی جانب سے سپریم کورٹ کے ہی ایک پہلے حکم مؤرخہ 25 اکتوبر 2013 کے عدم نفاذ کے سلسلے میں توہین عدالت کے سلسلے میں دیا گیا تھا اور سپریم کورٹ کے اس فیصلے میں کمپنی فریق ہی نہ تھی۔

اس سلسلے میں کمپنی کی جانب سے ایک نظر ثانی اپیل دائر کی گئی ہے کہ سپریم کورٹ اپنے فیصلے مؤرخہ 25 اکتوبر 2013 پر نظر ثانی کرے۔ کمپنی کی جانب سے اسلام آباد ہائی کورٹ کے روبرو بھی ایک درخواست دائر کی گئی ہے جس میں آئی سی ٹی کی جانب سے کان کنی کی لیز منسوخ کیے جانے اور سی ڈی اے کی جانب سے این اوسی واپس لیے جانے کے خلاف استدعا کی گئی ہے اور ان تمام کاروائیوں کے خلاف جو کہ اس سلسلے میں کمپنی کے خلاف کی گئیں ہیں۔ رواں سال کے دوران سپریم کورٹ کی جانب سے اس درخواست کو نمٹا دیا گیا ہے اور سپریم کورٹ کی جانب سے یہ فیصلہ کیا گیا ہے کہ کان کنی اور زمین کی حد بندی کے سلسلے میں نجلی عدالت میں یہ کیس زیر سماعت ہے اس لیے متعلقہ عدالت ہی اس پرمیٹ کی بنیاد پر فیصلہ دے سکتی ہے اور اس کی جانب سے کیے جانے والے فیصلے پر اور 25 اکتوبر 2013 کے فیصلے کا کوئی اثر نہیں ہوگا۔ کمپنی کی جانب سے پرزور انداز سے اس کیس کی پیروی کی جا رہی ہے اور قانونی ماہرین کی رائے کی بنیاد پر اس بات کی پوری امید ہے کہ اس کیس کا فیصلہ کمپنی کے حق میں ہی آئے گا۔

اس دوران کان کنی کی تمام سرگرمیاں معطل ہیں، تاہم کمپنی کی جانب سے پیداواری عمل جاری رکھنے اور مال کو روانہ کرنے کے تمام انتظامات مکمل کر لیے گئے ہیں۔

صنعتی تعلقات

کمپنی اس بات پر مکمل یقین رکھتی ہے کہ کمپنی کا اصل اثاثہ وہ افراد ہیں جو کہ کمپنی کے لیے اپنی خدمات پیش کرتے ہیں اور کمپنی کی جانب سے اس سلسلے میں بلا تعطل تمام سہولیات بہم فراہم کی جاتی ہیں۔ اس طرح کمپنی کے اندر انتظامیہ اور ملازمین کے مابین انتہائی خوشگوار تعلقات پائے گئے ہیں اور کبھی کسی بھی قسم کا کوئی صنعتی تنازع منظر عام پر نہیں آیا۔

آڈیٹرز

موجودہ آڈیٹرز میسرز رحمن سرفراز رحیم اقبال، چارٹرڈ اکاؤنٹنٹس ریٹائر ہونے جارہے ہیں اور اپنی اہلیت کی بنیاد پر انہوں نے ایک مرتبہ پھر اپنی خدمات پیش کی ہیں۔ بورڈ کی آڈٹ کمیٹی کی جانب سے ان کی ایک مرتبہ پھر کمپنی کے قانونی آڈیٹروں کے بطور برائے مالی سال 30 جون 2019ء تعیناتی کی سفارش کی گئی ہے اور بورڈ بھی آڈٹ کمیٹی کی جانب سے کی گئی سفارش کی توثیق کی خواہش رکھتا ہے۔

ترتیب حصص داری

کمپنیز ایکٹ 2017 کے سیکشن (f) 227(2) کے تحت جدول برائے ترتیب حصص داری برائے مالی سال 30 جون 2018ء رپورٹ ہذا کے ساتھ منسلک کیا جا چکا ہے۔

انسانی وسائل اور ادائیگیوں سے متعلق کمیٹی

بورڈ آف ڈائریکٹرز کی جانب سے سی سی جی 2018 کے قواعد کی پاسداری کرتے ہوئے انسانی وسائل اور ادائیگیوں کی کمیٹی تشکیل دی جا چکی ہے۔ یہ کمیٹی تین ممبران پر مشتمل ہے اور یہ تمام ڈائریکٹرز غیر انتظامی ہیں۔ جبکہ کمیٹی کا چیئر مین ایک آزاد ڈائریکٹر ہے۔ بورڈ کی جانب سے کمیٹی ممبران کو ان کے کام کی شرائط سے باقاعدہ آگاہ کیا جا چکا ہے۔ دوران سال میں کمپنی کی ایک میٹنگ ہوئی جس میں تمام ممبران نے شرکت کی۔

ڈائریکٹروں کا تربیتی پروگرام

نوڈائریکٹروں میں سے دو ڈائریکٹر تربیتی پروگرام سے مستثنیٰ ہیں جبکہ پانچ ڈائریکٹر پہلے ہی تربیتی پروگرام میں شرکت کر چکے ہیں۔

کارپوریٹ معاشرتی ذمہ داری

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے آپ کی کمپنی کو ان تمام افراد جو کہ دن رات اس کے لیے محنت کرتے ہیں، جو اس کے ارد گرد آباد ہیں اور مجموعی طور پر پورے معاشرے کے سلسلے میں اپنی معاشرتی ذمہ داریوں سے پوری طرح آگاہ ہے۔ اپنی معاشرتی ذمہ داریوں کو باحسن خوبی نبھانے کے لیے آپ کی کمپنی کی جانب سے دوران سال جو اقدامات اٹھائے گئے ان میں سے چیدہ چیدہ اقدامات یہ تھے کہ قرب جوار کے دیہاتوں کو پینے کا صاف پانی مہیا کیا گیا جس کے لیے پانی کا ذخیرہ اور پائپ لائن کا انتظام بھی کمپنی کی جانب سے ہی کیا گیا تھا اور مسجد کی تعمیر کے لیے عطیات بھی فراہم کیے گئے ہیں۔ پانی کی بلا تعلق فراہمی کو ممکن بنانے کیلئے کمپنی کی جانب سے بجلی کا ایک پمپ بھی نصب کیا گیا۔ اس کے علاوہ کمپنی نے لڑکیوں کے ایک اسکول کی مرمت کے کام کا ذمہ بھی اٹھایا، مرمت کے اس کام میں چار دیواری کی تعمیر مکمل پلاسٹر اور پوری عمارت کی سفیدی کا کام شامل تھا

قومی خزانے میں حصہ

آپ کی کمپنی کی جانب سے دوران سال رواں 2,216 ملین روپے قومی خزانے میں جمع کرائے گئے، یہ رقم قومی خزانے میں سیلز ٹیکس ریفیڈرل ایکسائز ٹیکس اور انکم ٹیکس کی مددات میں جمع کرائی گئی، جبکہ گزشتہ سال ان مددات میں قومی خزانے میں جمع کرائی گئی رقم 1,668 ملین روپے تھی۔ اس کے علاوہ کمپنی وطن عزیز میں 3.2 ملین امریکی ڈالر کا قیمتی زرمبادلہ بھی لے کر آئی جو سیمنٹ کی برآمدات سے حاصل کیا گیا تھا۔ اس کے علاوہ کمپنی نے رائلٹی کی مد میں بھی قومی خزانے میں رقم جمع کروائی اور اپنے سپلائروں اور اسٹاف سے ایف بی آر کی جانب سے ٹیکس جمع کیے۔

کمپنی کی کریڈٹ ریٹنگ

زیر نظر مالی سال کے دوران ایک مستند ادارے پاکستان کریڈٹ ریٹنگ ایجنسی (پی اے سی آر اے) کے ذریعے کمپنی کی کریڈٹ ریٹنگ کرائی گئی جس کے تحت کمپنی کو طویل المیعاد قرضوں کے سلسلے میں A- اور قلیل المیعاد قرضوں کے سلسلے میں A2 کی ریٹنگ دی گئی ہے اور کمپنی کو متوازن قرار دیا گیا ہے۔

| ڈائریکٹروں کے نام | حاضری |
|--------------------------|-------|
| جناب محمد یسین فیٹو | 4 |
| جناب الطاف اے حسین | 4 |
| جناب عامر غنی | 3 |
| جناب روحیل اجمل | 4 |
| جناب صفدر عباس مورا والا | 3 |
| جناب اعجاز علی | 2 |
| جناب محمد انور حبیب | 3 |
| جناب خالد یعقوب | 4 |
| جناب جمیل احمد خان | 4 |

وہ ڈائریکٹرز جو علالت یا کسی دیگر وجوہات کی بنا پر ان اجلاسوں میں شرکت نہیں کی انہیں اس سلسلے میں رخصت دے دی گئی تھی۔

غیر انتظامی ڈائریکٹروں کے لیے مشاہرے کی پالیسی

کمپنی کے تمام ڈائریکٹرز ماسوائے سی ای او غیر انتظامی ڈائریکٹرز ہیں۔ سی ای او کے مشاہرے کی منظوری حصص داران سے ان کے اجلاس میں لی جاتی ہے۔ جبکہ غیر انتظامی ڈائریکٹروں کو بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے مروجہ پالیسی کے تحت مشاہرہ ادا کیا جاتا ہے۔ سی ای او اور غیر انتظامی ڈائریکٹروں کو ادا کیے جانے والے مشاہرے کی تفصیلات مالیاتی دستاویزات کے ساتھ منسلک نوٹ نمبر 29 میں درج کی گئی ہیں۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بورڈ کی آڈٹ کمیٹی قائم کی جا چکی ہے جو کہ سی سی جی 2017 کے قواعد کے عین مطابق ہے۔ بورڈ آڈٹ کمیٹی کے ممبران کو ان کے کام کی شرائط سے باقاعدہ طور پر آگاہ کر دیا گیا تھا۔

دوران سال رواں آڈٹ کمیٹی کے چار (4) اجلاس منعقد کیے گئے۔ ان اجلاسوں میں شرکت کرنے والے ممبران کی حاضری درج ذیل ہے:

| ڈائریکٹروں کے نام | حاضری |
|--------------------------|-------|
| جناب محمد انور حبیب | 3 |
| جناب صفدر عباس مورا والا | 3 |
| جناب الطاف اے حسین | 4 |

4۔ پاکستان میں نافذ العمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کی مکمل پاسداری کرتے ہوئے تمام مالیاتی رپورٹس تیار کی گئیں ہیں۔

5۔ کمپنی میں اندرونی کنٹرول کا نظام صحیح اور موثر انداز سے نافذ العمل ہے اور اس کی ہمہ وقت نگرانی کی جا رہی ہے۔

6۔ اس بات میں شک کی کوئی گنجائش نہیں پائی جاتی کہ کمپنی پیشگی کی بنیاد پر اپنا کاروبار مستقبل میں جاری رکھنے کی خواہاں ہے۔

7۔ پروویڈنٹ فنڈ ٹرسٹ برائے مالی سال 30 جون 2018 کے غیر آڈٹ شدہ اکاؤنٹس کی روشنی میں پروویڈنٹ فنڈ انویسٹمنٹ کی قدر 385 ملین روپے بنتی ہے جو کہ مالی سال 2017 کے آڈٹ شدہ مالیاتی اکاؤنٹس کے مطابق 348 ملین روپے تھی۔

8۔ کسی بھی قانونی ذمہ داری کے تحت کمپنی ٹیکسوں، لیویز اور دیگر چارجز کی مد میں کوئی بھی واجب الادا ذمہ داریاں نہیں ہیں ماسوائے ان مالیاتی ذمہ داریوں کے جو کہ کاروبار میں معمول کا حصہ ہیں۔

کمپنی سے متعلق گزشتہ چھ سال کی اہم مالیاتی اور کاروباری معلومات رپورٹ ہذا کے صفحہ نمبر 19 پر موجود ہے۔

مناسب اندرونی مالیاتی کنٹرول

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی اثاثوں کو محفوظ بنانے، کمپنی کے تمام کاروباری افعال کو مستعدی اور موثر انداز سے چلانے، تمام مروجہ قوانین کی پاسداری کرنے اور بروقت مالیاتی رپورٹنگ کو ممکن بنانے کے لیے ایک مستعد اور محفوظ اندرونی کنٹرول کا نظام وضع کیا گیا ہے۔ کمپنی کا اندرونی کنٹرول کا نظام ایسے تجربہ کار اسٹاف پر مشتمل ہے جو کہ باقاعدگی کے ساتھ کنٹرول کے اس نظام کا جائزہ لیتے رہتے ہیں اور مزید موثر بنانے کی تگ و دو کرتے رہتے ہیں۔ اندرونی آڈٹ کا ڈپارٹمنٹ اس بات کا ذمہ دار ہے کہ موجودہ سسٹم میں پائی جانے والی کسی بھی خامی کی نشاندہی بورڈ کو کرے اور اس میں اصلاح کے لیے آڈٹ کمیٹی کو بروقت مطلع کرے کہ اس سلسلے میں کس قسم کے اقدامات اٹھائے جاسکتے ہیں۔

متعلقہ پارٹیوں کے ساتھ لین دین کے معاملات

زیر نظر مالی سال کے دوران متعلقہ پارٹیوں کے ساتھ لین دین کے تمام معاملات شفافیت پر مبنی تھے اور ان کے سلسلے میں مروجہ قوانین اور قواعد کی رو سے آڈٹ کمیٹی اور بورڈ سے باقاعدہ منظوری بھی حاصل کر لی گئی تھی۔ متعلقہ پارٹیوں کے ساتھ کیے جانے والے لین دین کی تفصیلات آڈٹ شدہ اکاؤنٹس کے نوٹ نمبر 30 میں دی گئی ہے۔

بورڈ کی ساخت

بورڈ کے ممبران کی تعداد اور بورڈ کی ساخت کو ضابطہ پاسداری کے ساتھ منسلک کیا جا چکا ہے۔

دوران رواں مالی سال بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد کیے گئے۔ ان اجلاسوں میں شرکت کرنے والے ڈائریکٹروں کی حاضری ذیل میں پیش کی جا رہی ہے:

سیمنٹ سازی کر رہی ہو۔ کمپنی ان خطرات سے بخوبی واقف ہے اور علاقے کو لاحق ان خطرات کو کم سے کم کرنے کے لیے کئی اقدامات بھی لیے گئے ہیں۔ کمپنی کا پلانٹ جدید ترین سہولیات سے آراستہ ہے اور کنٹرول کے تمام تر عالمی اور مقامی معیارات پر پورا اترتا ہے۔ کمپنی کی جانب سے ویسٹ ہیٹ ریکوری پاور پلانٹ بھی نصب کیا گیا ہے تاکہ ضائع ہونے والی حرارت کو بچایا جاسکے اور اس سے بنائی جانے والی توانائی کو اپنے سسٹم میں استعمال کیا جاسکے۔

مستقبل پر نظر

زیر نظر مالی سال کے دوران سیمنٹ کی مانگ میں مقامی سطح پر اضافہ ہوا ہے اور اس بات کے قوی امکانات موجود ہیں کہ اس مالی سال کے دوران بھی یہ رجحان جاری رہے گا جس کی بنیادی وجہ یہ ہے حکومتی سطح پر بجٹ کا ایک بڑا حصہ پبلک سیکٹر میں ترقیاتی پروجیکٹس کے لیے مختص کیا گیا ہے اور بنیادی ڈھانچے اور رہائشی تعمیراتی منصوبوں اور سی پیک سے وابستہ تعمیراتی منصوبوں کے علاوہ موجودہ حکومت کی جانب سے کم آمدن والے افراد کے لیے بڑے رہائشی منصوبے کا اعلان بھی کیا گیا ہے۔ طلب میں اضافے کے باعث قیمتیں دباؤ کا شکار رہ سکتی ہیں کیونکہ سیمنٹ کے توسیعی منصوبے بھی پایہ تکمیل کو پہنچنے والے ہیں۔

جبکہ پیداواری لاگت کی جانب دیکھا جائے تو عالمی منڈی میں کونسلے کی قیمتوں میں اضافے اور روپے کی قدر میں کمی کی وجہ سے منفی اثرات مرتب ہو سکتے ہیں۔ اس کے علاوہ دیگر خام مال جیسا کہ ڈیزل اور سیمنٹ کے تھیلوں کی قیمت میں اضافہ بھی منفی اثرات مرتب کر سکتے ہیں۔ کمپنی کی انتظامیہ ان تمام اخراجات سے پوری طرح آگاہ ہے اور اس قسم کے اقدامات اٹھائے جا رہے ہیں کہ ایک جانب تو پیداواری عمل میں مستعدی پیدا کی جاسکے تو دوسری جانب پیداواری لاگت میں کمی لائی جائے تاکہ کم لاگت برائے پیداوار کے ذریعے مارکیٹ میں مسابقت کے قابل ہوا جائے۔ مزید برآں، جیسا کہ عزیز ممبران کے علم میں یہ بات لائی جا چکی ہے کہ کمپنی کی انتظامیہ کی جانب سے یہ فیصلہ کیا گیا ہے کہ گرین فیلڈ توسیعی منصوبے کے تحت کمپنی کی پیداواری صلاحیت میں 6000 میٹرک ٹن کلنکر یومیہ کا اضافہ کیا جاسکے اور اس میں 9 میگا واٹ ویسٹ ہیٹ ریکوری پلانٹ بھی اس منصوبے میں شامل ہے۔ بورڈ کی رہنمائی میں کمپنی کی انتظامیہ اس سلسلے میں اراضی کے حصول، ماحولیاتی منظوری اور خام مال کی فراہمی کے سلسلے میں باریک بینی کے ساتھ جائزہ لینے میں مصروف ہے۔

کارپوریٹ گورننس

ڈائریکٹرز انتہائی مسرت کے ساتھ اس بات سے آگاہ کرتے ہیں کہ اسٹاک ایکسچینج کے لسٹنگ قواعد میں مذکور کارپوریٹ گورننس کے اصولوں کی کمپنی کی جانب سے مکمل پاسداری کی جاتی ہے۔

کارپوریٹ گورننس کی مکمل پاسداری کے سلسلے میں کمپنی کے ڈائریکٹرز اس بات کا اعلان کرتے ہیں کہ:

1۔ کمپنی کی جانب سے تیار کردہ مالیاتی رپورٹس صحیح اور شفاف انداز سے کمپنی کے تمام معاملات، اس کے کاروباری افعال، نقد رقوم کی ترسیل اور سرمایہ برہنی حصص میں تبدیلی کی نمائندگی کرتی ہیں۔

2۔ کمپنی کی جانب سے تمام محاسبی کھاتوں کا باقاعدہ ریکارڈ محفوظ رکھا جاتا ہے۔

3۔ کمپنی کی جانب سے مالیاتی رپورٹس تیار کرنے کے سلسلے میں محاسبی کے مسلمہ اصولوں کی مکمل پاسداری کی گئی اور تمام تر محاسبی کھاتے برہنی معقولیت اور قرین قیاس ہیں۔

منفعت

دوران سال رواں کمپنی کی لاگت برائے فروختگی میں %8.44 اضافہ ہوا جس کی وجہ عالمی سطح پر کونکے کی قیمتوں میں اضافہ اور امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں آنے والی کمی تھی۔ ڈیزل کی قیمت میں اضافے کی وجہ سے پورٹ سے فیکٹری تک کونکے کو پہنچانے کی لاگت میں بھی اضافہ ہوا۔ مزید سیمنٹ کے تھیلوں کی قیمت میں اضافے کی وجہ سے بھی لاگت میں اضافہ ہوا۔

رواں مالی سال کے دوران خام منافع گھٹ کر 1,027 ملین روپے تک جا پہنچا جبکہ گزشتہ مالی سال کے دوران خام منافع 1,557 ملین روپے درج کیا گیا تھا۔ نتیجتاً کمپنی کی جانب سے گزشتہ سال کل فروختگی کے مقابلے میں %30.34 کا خام منافع کم ہو کر سال رواں کے دوران %20.95 رہ گیا۔

مجموعی طور پر انتظامی اخراجات میں گزشتہ سال کے مقابلے میں دوران رواں مالی سال %22.45 کا اضافہ ہوا۔ جس کی بنیادی وجہ نئے سیمنٹ پلانٹ کے ابتدائی اخراجات کیے جانے کی وجہ سے ہے۔ جبکہ مال کی تقسیم کے سلسلے میں آنے والی لاگت میں %13.72 کا اضافہ ریکارڈ کیا گیا ہے۔

کمپنی نے رواں مالی سال کے دوران 600 ملین روپے کا منافع قبل از ٹیکس کمایا جبکہ گزشتہ سال قبل از ٹیکس کمایا جانے والا منافع 1,091 ملین روپے تھا۔

گزشتہ سال ٹیکس کے پروویژن 331 ملین روپے کے مقابلے میں اس سال پروویژن کم ہو کر 158 ملین روپے ہو گئی۔ اس طرح کمپنی نے 442 ملین روپے کا منافع بعد از ٹیکس کمایا جبکہ منافع بعد از ٹیکس گزشتہ سال 761 ملین روپے تھا۔

دوران سال رواں آپ کی کمپنی کی آمدن فی حصص 8.81 روپے رہی، جبکہ گزشتہ سال آمدن فی حصص 15.17 روپے تھی۔

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو اپنے کام کی نوعیت کے اعتبار سے چند امکانی خطرات اور غیر یقینی صورت حال کا سامنا ہو سکتا ہے۔ اور ان خطرات کی وجہ سے کمپنی کے کاروباری افعال متاثر بھی ہو سکتے ہیں۔ تاہم درج ذیل خطرات کو ان میں انتہائی اہم گردانا جاتا ہے:

- ☆ مارکیٹ میں زبردست مسابقت کا ماحول
- ☆ خام مال کی لاگت بالخصوص درآمد کیے جانے والے کونکے کی قیمتوں میں اضافے کا رجحان اور روپے کی شرح مبادلہ میں ڈالر کے مقابلے میں تبدیلی
- ☆ چونے کے پتھر کی کان کی لیزنگ کی تنہی
- ☆ ڈیٹا کی سیکورٹی اور پرائیویسی

کمپنی کی جانب سے اندرونی اور بیرونی شراکت داروں کے ساتھ مل کر ایسے اقدامات اٹھائے جا رہے ہیں کہ ان خطرات کو قابل برداشت حد میں رکھا جاسکے۔

کمپنی کے کاروباری افعال کے ماحولیات پر اثرات

کمپنی سیمنٹ کی تیاری اور فروخت کے کاروبار سے منسلک ہے اور سیمنٹ سازی کے عمل میں خارج ہونے والے مادے اس ماحول کے لیے خطرناک ثابت ہو سکتے ہیں جہاں کمپنی

کمپنی کی جانب سے دوران سال رواں گزشتہ سال کے مقابل کلنر کی پیداوار میں %5.76 کی کمی واقع ہوئی جبکہ سیمنٹ کی پیداوار میں %2.57 کا اضافہ ہوا۔

مقامی سطح پر کمپنی کی دوران سال رواں فروختگی کے حجم میں %9.11 کا اضافہ ریکارڈ کیا گیا ہے جبکہ سیمنٹ کی صنعت کا مجموعی اضافہ %15.4 تھا، جبکہ دوسری جانب برآمدات میں %36.02 کی کمی ریکارڈ کی گئی ہے جس کی اصل وجہ افغانستان کو برآمد کئے جانے والے سیمنٹ کی فروخت میں کمی ہے۔ اس طرح سے گزشتہ سال کے مقابلے میں دوران سال رواں کمپنی کی فروختگی میں مجموعی طور پر %2.58 کا اضافہ ریکارڈ کیا گیا ہے۔

مالیاتی کارکردگی کا جائزہ

ذیل میں کمپنی کی مالیاتی کارکردگی سے متعلق اہم جھلکیاں بمقابلہ گزشتہ مالی سال پیش کی جا رہی ہیں:

| روپے ہزاروں میں ماسوائے آمدن فی حصص کے | | |
|--|-----------|------------------------|
| 2017 | 2018 | |
| 4,551,604 | 4,546,512 | کل فروختگی مقامی |
| 579,140 | 356,272 | کل فروختگی برآمدات |
| 5,130,744 | 4,902,784 | مجموعی کل فروختگی |
| 3,573,968 | 3,875,479 | لاگت برائے فروختگی |
| 1,556,776 | 1,027,305 | خام منافع |
| 1,091,492 | 599,628 | منافع قبل از ٹیکس |
| 760,693 | 441,738 | منافع بعد از ٹیکس |
| 15.17 | 8.81 | آمدن فی حصص (روپے میں) |

آمدن از فروختگی

دوران سال رواں کمپنی کی کل مجموعی آمدن از فروختگی میں گزشتہ سال کے مقابلے میں %4.96 کا اضافہ ہوا ہے جبکہ گزشتہ سال مقامی سطح پر سیمنٹ کی فروخت میں %9.11 اضافہ ریکارڈ کیا گیا تھا۔ پیداواری حجم کے متناسب فروختگی کے حجم میں اضافہ نا ہونے کی بنیادی وجہ مقامی سطح پر سیمنٹ کی قیمتوں پر آنے والا دباؤ تھا۔

قیمتوں میں آنے والے دباؤ کے ساتھ ساتھ فیڈرل ایکسائز ڈیوٹی نے بھی مقامی سطح پر سیمنٹ کی فروخت میں کمی میں اپنا کردار ادا کیا اور اس کا نتیجہ یہ نکلا کہ مجموعی آمدن از فروخت میں %0.11 کی کمی واقع ہوئی ہے جبکہ حجم میں %9.11 کا اضافہ واقع ہوا ہے۔ رواں مالی سال کے دوران کل آمدن از فروخت برائے مقامی فروختگی 4,457 ملین روپے ریکارڈ کی گئی ہے جبکہ گزشتہ سال یہی آمدن 4,552 ملین روپے ریکارڈ کی گئی تھی۔ کمپنی کی جانب سے آمدن از برآمدات میں %38.48 کی کمی واقع ہوئی ہے جس میں سے %36.02 کی کمی اس لیے واقع ہوئی ہے کہ سیمنٹ کا حجم کم رہا تھا جبکہ بقیہ %2.46 کی کمی کی وجہ سیمنٹ کی قیمتوں میں کمی تھی۔

فیکٹو سیمنٹ لمیٹڈ

ڈائریکٹرز رپورٹ برائے ممبران

معزز ممبران گرامی

بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی سالانہ مالیاتی رپورٹ بمعہ آڈٹ شدہ مالیاتی دستاویزات برائے مالی سال 30 جون 2018 آپ کی خدمت میں پیش کر رہے ہیں۔

جائزہ

دوران سال رواں مجموعی طور پر سیمنٹ کی صنعت کی جانب سے روانگی مال میں 13.8% سے اضافہ ریکارڈ کیا گیا اور فروختگی کا مجموعی حجم 45.89 ملین ٹن رہا جبکہ مجموعی فروختگی گزشتہ سال اسی عرصے کے دوران 40.32 ملین ٹن رہی تھی۔ مقامی سطح پر سیمنٹ کی صنعت کی مجموعی فروختگی کے حجم میں 15.4% کا اضافہ ہوا اور فروختگی کا مجموعی حجم 41.15 ملین ٹن رہا جبکہ گزشتہ سال اسی عرصے کے دوران یہ حجم 35.65 ملین ٹن تھا۔ جبکہ دوسری جانب برآمدات کے سلسلے میں سیمنٹ کی صنعت میں 1.8% کا اضافہ ریکارڈ کیا گیا ہے جس کے تحت فروختگی کا کل حجم 4.75 ملین ٹن رہا جو کہ گزشتہ سال اسی عرصے کے دوران 4.66 ملین ٹن تھا۔

شمال میں واقع پلانٹس سے مجموعی طور پر فروختگی کا حجم بڑھ کر 37.05 ملین ٹن تک جا پہنچا جس میں 14.74% کا اضافہ ریکارڈ کیا گیا جس میں سے مقامی سطح پر ہونے والی فروختگی کا حجم 33.97 ملین ٹن تھا جبکہ برآمدات کا حجم 3.08 ملین ٹن تھا۔ اس طرح شمال میں واقع پلانٹس میں مقامی سطح پر فروختگی کے حجم میں 16.57% کا اضافہ ریکارڈ کیا گیا ہے جبکہ دوسری جانب شمال میں واقع پلانٹس کی برآمدات میں 2.20% کی کمی واقع ہوئی ہے۔

آپریٹنگ کارکردگی کا جائزہ

کمپنی کی جانب سے دوران سال گزشتہ سال کے مقابلے کی جانے والی پیداوار اور روانہ کئے جانے والے مال کا تقابلی جائزہ ذیل میں پیش خدمت ہے:








| ٹنوں میں | | | |
|------------|---------|---------|---------------|
| تبدیلی (%) | 2017 | 2018 | |
| | | | پیداوار |
| (5.76) | 789,904 | 744,402 | کلنکر |
| 02.57 | 773,180 | 793,063 | سیمنٹ |
| | | | |
| | | | مال کی روانگی |
| 09.11 | 659,974 | 720,108 | مقامی |
| (36.02) | 111,688 | 71,447 | برآمدات |
| 02.58 | 771,662 | 791,555 | مجموعی |










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PROXY FORM

The Company Secretary,
Fecto Cement Limited
35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi.

I/We

of _____ being a member of FECTO CEMENT LIMITED and holder of _____
Ordinary Shares as per the Share Register Folio No _____ and/or CDC Participant ID No. _____
and Account / Sub-Account No. _____ hereby appoint _____
of _____ who is also a member of the Company vide Registration Folio Number _____ as
my/our proxy for me & on my/our behalf at the 37th Annual General Meeting of the Company to be held on
Thursday, October 25, 2018 at 12:00 noon at Company's registered office 35, Darul Aman Housing Society, Block
7/8, Shahrah-e-Faisal, Karachi and any adjournment thereof.

Revenue Stamp
of PKR 5/-

Signature of Shareholder
Folio / CDC Nos.

Witnesses:

| | |
|--------------------------|--------------------------|
| (1) Signature _____ | (2) Signature _____ |
| Name _____ | Name _____ |
| Address _____ | Address _____ |
| CNIC/ Passport No. _____ | CNIC/ Passport No. _____ |

Notes:

1. A member entitled to attend the meeting may appoint a proxy in writing to attend the meeting on the member's behalf.
2. If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Fecto Cement Limited, 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi-75350 so as to reach no less than 48 hours before the time appointed for holding the Meeting.
3. No person shall act as proxy unless he/she himself/herself is a member of the Company except that a corporation may appoint a person who is not member.

-For CDC Account Holders / Corporate Entities

In addition to the above, the following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the Form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

تشکیل نیابت داری

جناب کمپنی سیکریٹری
فیکٹو سیمنٹ لمیٹڈ
35 دارالامان ہاؤسنگ سوسائٹی، بلاک 7/8 شاہراہ فیصل کراچی۔

میں/ہم: _____
ساکن: _____ بحیثیت فیکٹو سیمنٹ لمیٹڈ کے رکن و حامل: _____
عام حصص بمطابق شیئر رجسٹرڈ فلیو نمبر: _____ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر: _____
اور ذیلی کھاتہ نمبر: _____ محترم/محترمہ: _____
ساکن: _____

جو کہ خود بھی فیکٹو سیمنٹ لمیٹڈ کا رکن ہے، کو اپنی جگہ بروز جمعرات 25 اکتوبر 2018ء، بوقت دوپہر 12.00 بجے بمقام کمپنی کے رجسٹرڈ آفس 35 دارالامان ہاؤسنگ سوسائٹی، بلاک 7/8 شاہراہ فیصل کراچی، میں منعقد ہونے والے 37 واں سالانہ اجلاس عام یا اس کے التوائی اجلاس میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا کرتی ہوں۔
گواہ نمبر 1:

ریونیٹکٹ چسپاں کریں

دستخط کمپنی میں پہلے سے موجود نمونے
کے مطابق ہونے چاہئیں

دستخط: _____
جگہ: _____ تاریخ: _____

دستخط: _____

نام: _____

پتا: _____

سی این آئی سی یا پاسپورٹ نمبر: _____

گواہ نمبر 2:

دستخط: _____

نام: _____

پتا: _____

سی این آئی سی یا پاسپورٹ نمبر: _____

ضروری نوٹ:

- 1- کوئی بھی رکن جو کہ اجلاس میں شرکت کا اہل ہے، اپنی جگہ کسی کو بھی اجلاس میں شرکت کے لیے نامزد کر سکتا ہے۔
- 2- مکمل و دستخط شدہ پراکسی فارم کمپنی کے رجسٹرڈ دفتر فیکٹو سیمنٹ لمیٹڈ 35 دارالامان ہاؤسنگ سوسائٹی، بلاک 7/8 شاہراہ فیصل کراچی میں اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہونا چاہیے۔
- 3- کوئی بھی شخص اُس وقت تک پراکسی کا کردار نہیں ادا کر سکتا رکتی جب تک کہ وہ کمپنی کا رکن نہ ہو، البتہ کارپوریٹیشنز کی بھی ایسے فرد کو نامزد کر سکتی ہیں جو کمپنی کا رکن نہ ہو۔

سی ڈی سی کھاتہ داران کے لیے درج ذیل ضروریات کو پورا کرنا ضروری ہے:

- 1- پراکسی فارم کے لیے دو افراد گواہ ہوں گے جن کے نام، پتے، اور شناختی کارڈ نمبر فارم پر درج ہونے چاہئیں۔
- 2- پراکسی کے ہمراہ مالکان اور پراکسی دونوں کے شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ساتھ مہیا کرنی ہوگی۔
- 3- اجلاس کے وقت پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔
- 4- کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی رضامندی بخشنا یا نامہ جمع نمونہ دستخط پراکسی فارم کے ساتھ (اگر پہلے نامہ یا گئی ہو تو) کمپنی کے پاس جمع کرانی ہوگی۔

