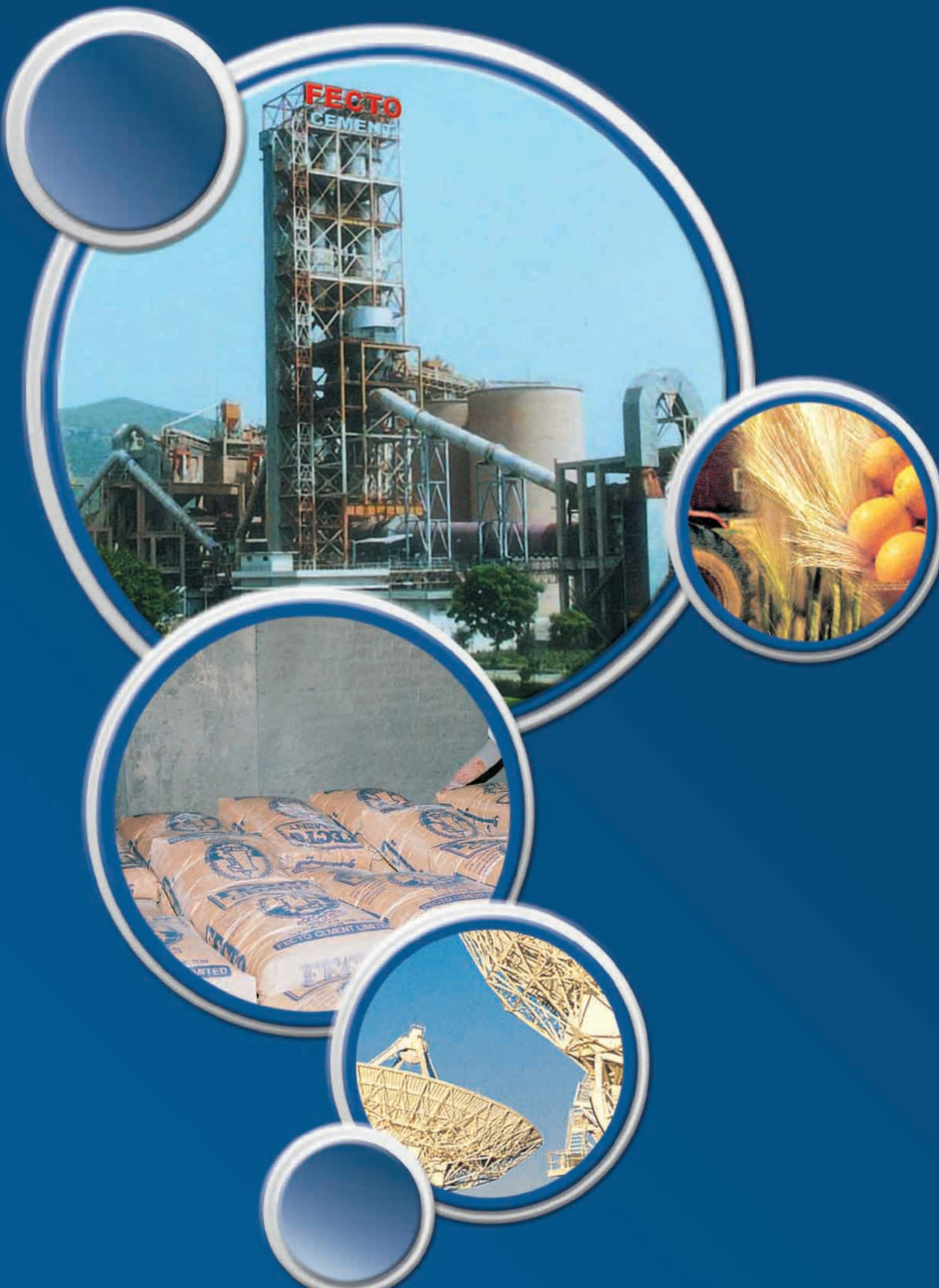

FECTO CEMENT LIMITED
ANNUAL REPORT
2015

CONTENTS

CORPORATE INFORMATION

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

Mission Statement

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

Vision Statement

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

Corporate Strategy

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi, on Tuesday, October 27, 2015 at 12.00 noon to transact the following businesses:

1) To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.

2) To consider and if deemed fit, approve the payment of final cash dividend @ 50% % (Rs. 5.00 per share) for the financial year ended June 30, 2015 as recommended by the Board of Directors.

3) To appoint Auditors for the year ending June 30, 2016 and to fix their remuneration. Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retires and being eligible have offered themselves for the re-appointment. Audit Committee of the Board has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2016.

4) To elect eight (8) directors as fixed by the Board of Directors of the Company in accordance with the provisions of Section 178 (1) of the Companies Ordinance, 1984 for the next three years term commencing November 01, 2015.

   Names of retiring directors are as follows:

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

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

By Order of the Board

(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 29, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, October 17, 2015 to Tuesday, October 27, 2015 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Friday, October 16, 2015 will be considered in time for the entitlement of transferee.

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

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

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

5. As directed by SECP vide Circular No. 18 of 2012 dated June 05, 2012 and Notification No. 8(4)/SM/CDC-2008 dated April 05, 2013, we have already given opportunity to shareholders to authorize the Company to directly credit in their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrant, please provide the relevant details, as mentioned in the standardized dividend mandate form attached with the above mentioned circular.

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

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

7. Member(s) who wish to receive annual financial statements and notice of annual general meeting for the year ending June 30, 2016 and onwards through email, instead of through courier/post are requested to give their consent in writing to the Company to update its record.

8. Any member of the Company who seeks to contest the election of the office of the director shall file with the Company at its registered office not later than fourteen days before the date of above said meeting his/her intention to offer himself/herself for the election of office of the director in term of Section 178(3) of the Companies Ordinance together with consent in form 28 and declaration as required by the Code of Corporate Governance(CCG) of listing regulations of stock exchanges where the Company is listed.

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

Through the Finance Act 2015 rates of withholding tax from payment of dividend effective July 01, 2015 have been revised whereby rate of tax deduction for non filer of income tax returns is increased to 17.5% as against the 12.5% for filers of income tax returns.

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

In case of joint account, please intimate proportion of shareholding as each account holder is to be treated individually as either filler 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.

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 16, 2015.

Statement under Rule 4(2) of the Companies (investment in Associated Companies or Associated undertakings) Regulations 2012

The Company in its last Annual General Meeting placed before the members for their consideration and approval the matter of issuance of Corporate Guarantee / Undertaking on behalf of the associated undertaking / related party namely Frontier Paper Products (Pvt.) Limited in favour of local lenders to the extent of Rs. 350 million to provide cover against the amount financed by the lenders for setting up of fully integrated Polypropylene Cement Bags Manufacturing Plant to be set up in Haripur, Hattar. The Company, however, did not proceed in the matter in compliance of the directives of SECP that Company can not issue Corporate Guarantee on behalf of its associated undertaking in light of the provisions of the Section 195(1)(c) of the Companies Ordinance, 1984.

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, 2015.

OVERVIEW

During the year under review overall dispatches of cement industry witnessed growth of 3.27% with total sales volume of 35.40 million tons as against the total sales volume of 34.28 million tons of last year. Local sales volume of the industry increased by 7.89% with sales volume of 28.20 million tons as against the sales volume of 26.14 million tons of last year whereas exports of the industry witnessed a negative growth of 11.57% with sales volume of 7.19 million tons as against the exports sales volume of 8.13 million tons of last year. As against the overall growth of 7.89% in local sales volume and negative growth of 11.57% in exports, plants located in northern part of the country witnessed growth of 8.16% in local sales volume, whereas their exports reduced by 17.55%.

OPERATING PERFORMANCE

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

	------------------- TONS	-----------------	
	2015	2014	CHANGE IN %
Production			
Clinker	**703,677**	640,825	9.80
Cement	**694,458**	680,919	1.99
Dispatches			
Local	**517,993**	488,705	6.00
Export	**176,139**	193,343	(8.90)
Total	**694,132**	682,048	1.77

Production of clinker and cement of the Company increased by 9.80% and 1.99% respectively whereas capacity utilization achieved was of 90.20% and 84.79% for clinker and cement respectively.

Local sales volume of the Company during the year under review witnessed a growth of 6.00% however, exports reduced by 8.90% mainly due to reduced exports to Afghanistan. Overall sales volume of the Company hence witnessed a growth of 1.77% 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	
	2015	**2014**
Net sale	**4,779,145**	4,723,814
Cost of sales	**3,313,796**	3,446,595
Gross Profit	**1,465,349**	1,277,219
Profit before taxation	**899,636**	769,895
Profit after taxation	**617,470**	595,341
Earning Per Share (Rupees)	**12.31**	11.87

SALES REVENUE

During the year under review, overall net sales revenue of the Company increased by 1.17% as compared to last year. Main reason for such increase was improved local sales volume coupled with better retention.

Net local sales revenue of the Company increased by 6.70% out of which 6.00% was due to increase in volume whereas remaining 0.70% was achieved on account of improvement in retention price. Export sales revenue of the Company reduced by 14.75% as against the reduction in export sales volume by 8.90%. Export prices to Afghanistan remained depressed during the year under review due to lesser demand and influx of cheaper Iranian cement to Afghanistan.

PROFITABILITY

Cost of sales of the Company during the year under review reduced by 3.85% despite increased sales volume of 1.77% mainly due to reduction in prices of coal in international market and reduction in power cost due to relief provided in monthly fuel price adjustment. Cost per ton of cement reduced by 5.77% whereas fuel and power cost which is the main component of cost of production reduced by 3.24%. Increase in salaries and wages was due to annual increments and enhancement in minimum wages.

Company achieved gross profit rate of 30.66% of net sales as against the 27.04% of last year.

Overall administrative expenses increased on account of payment to legal counsel for representing the Company on the matter of cancellation of mining lease.

Distribution cost reduced in line with reduction in export sales volume.

Finance cost of the Company reduced to Rs. 81.13 million as against Rs. 104.19 million of last year mainly because of reduced utilization of short term borrowings and payment of principal amount of long term financing.

The Company earned profit before taxation of Rs. 899.64 million as against profit before taxation of Rs. 769.89 million of last year.

Provision for taxation increased to Rs. 282.17 million as against the provision of 174.55 million of last year. Provision for current taxation increased due to new taxes imposed by the Government in last budget.

Earning per share (EPS) of your Company for the year under review was Rs. 12.31 per share as against the earning per share of Rs. 11.87 of last year.

DEBT OBLIGATION

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

FUTURE PROSPECTS

Demand of cement in local market has been improved for last three years and it is expected that this trend will continue in the current financial year, considering the fact that substantial budget is allocated for public sector development projects by the Government, however, full utilization of allocated budget would be a challenge. Improved law and order situation, lower inflation and interest rates, Stable Economic outlook and reduced coal price will benefit the Industry. The Government, however, has to tackle energy crises, hampering overall industrial growth. Proper and efficient utilization of allocated development budget and initiation of projects under Pak China Economic Corridor would help cement sector to grow. The momentum of exports to Afghanistan has also slowed down due to arrival of cheap Iranian cement resulting reduction in prices whereas prices in India are already very low.

On cost side prices of coal in international market have reduced which is a good omen for the industry. Electricity rates however, not reduced in line with reduction in fuel prices in international market.

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

7. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2014 was Rs. 224 million.

8. There is no outstanding statutory payment due on account of taxes, levies and charges except normal and routine nature.

Key operating and financial data for the last six years is annexed.

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

	Attended
Mrs. Zubeda Bai	1
Mr. Mohammed Yasin Fecto	4
Mr. Mohammed Asad Fecto	3
Mr. Altaf A. Hussain	4
Mr. Aamir Ghani	3
Mr. Rohail Ajmal	3
Mr. Safdar Abbas Morawala	3
Mr. Ijaz Ali	1
Mr. Mohammed Anwar Habib	4

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

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 CCG 2012. Terms of reference of the Committee were 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. Mohammad Anwar Habib	Chairman/Independent Director	4
Mr. Mohammed Asad Fecto	Executive Director	2
Mr. Safdar Abbas Morawala	Independent Director	3
Mr. Altaf A. Hussain	Independent Director	4

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with the requirements of CCG 2012, The Board of Directors has established this Committee comprising three members, one of whom is independent director whereas Chairman of the Committee is an Executive Director. Terms of reference of the Committee were duly communicated to the members by the Board.

TRAINING PROGRAM OF DIRECTORS

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

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 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. 967.70 million in national exchequers as sales tax and Federal excise duty compared to Rs 900.10 million of last year. Company also brought in foreign exchange of around US$ 10 million in the country by exporting cement and made contribution to national exchequer on account of income tax, royalty payment and also collected and deposited income tax on behalf of FBR from its suppliers and staff.

CANCELLATION OF MINING LEASE

The auditors have drawn attention of the members to the note 11.1.1 in respect of cancellation of mining lease. As we had informed our members in our report for the period ended March 31, 2015 and through dissemination of material information 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 not received ANY notice from the Hon'ble Supreme Court or any party to the proceeding that ANY matter was pending against the Company before the Hon'ble Supreme Court of Pakistan. Thus, the

Company had no knowledge of earlier hearings in the matter. Therefore, on the next date of hearing i.e. 19-03-2015, the Company was represented before the Hon'ble Supreme Court by its learned counsel. The Hon'ble Supreme Court passed a detailed order wherein it was observed, "We, therefore, expressed our surprise that the said Bashir Ahmed had stated in his letter that it was in pursuance of Supreme Court order and on that basis he had proceeded to cancel the mining lease issued to M/s Fecto Cement Limited. The matter is still pending in the Supreme Court of Pakistan. The Company is vigorously contesting the matter and based on the legal opinion, believes that out come of the matter will be in favour of the Company.

Mining activities meanwhile are suspended; however, the Company has made 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. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their appointment as Statutory Auditors of the Company for the year ending June 30, 2016 and Board would also like to endorse the recommendation of the Audit Committee.

PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2015 required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed.

APPROPRIATION

The appropriations approved by the Board are as follows:

	Rupees in 000
Profit after taxation	617,470
Un appropriated profit brought forward	1,327,395
Available for appropriation	1,944,865
Appropriation:	
Final Cash Dividend paid for the year ended 30 June 2014 @ 15% i.e. Rs. 1.5/= per share	75,240
Un appropriated profit carried forward	1,869,625

SUBSEQUENT EFFECT

For the year ended June 30, 2015 the Board in its meeting held on September 29, 2015 has proposed a final cash dividend of 50% i.e. (Rs. 5/- per share).

ELECTION OF DIRECTORS

Term of existing Board is going to be completed on October 31, 2015 and accordingly election of directors will be held in ensuing Annual General Meeting scheduled to be held on October 27, 2015 for the next three years term. The Board has fixed the number of elected directors as Eight (8).

ACKNOWLEDGMENT

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

On behalf of the Board

MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 29, 2015

PATTERN OF SHAREHOLDINGS

AS AT JUNE 30, 2015

No. of	Shareholding		TOTAL SHARES
Shareholders	From	To	
321	1	100	6025
472	101	500	152038
817	501	1000	536138
442	1001	5000	1057120
91	5001	10000	674879
37	10001	15000	479872
16	15001	20000	288560
10	20001	25000	237915
7	25001	30000	202000
5	30001	35000	172100
6	35001	40000	235500
1	40001	45000	42000
7	45001	50000	347000
1	50001	55000	54500
4	55001	60000	235640
1	60001	65000	65000
2	65001	70000	132500
2	70001	75000	141730
3	75001	80000	234000
1	80001	85000	83000
5	85001	90000	435530
1	90001	95000	91300
1	95001	100000	100000
1	130001	135000	132000
1	135001	140000	139700
1	140001	145000	145000
1	145001	150000	149600
2	150001	155000	305000
3	155001	160000	473037
1	170001	175000	171600
3	195001	200000	600000
1	220001	225000	225000
1	250001	255000	250800
3	270001	275000	821670
2	275001	280000	551870
1	290001	295000	290500
2	305001	310000	618000
2	310001	315000	627000
1	320001	325000	324500
1	325001	330000	330000
2	355001	360000	715000
1	360001	365000	363000
1	365001	370000	368500
1	370001	375000	374000
2	375001	380000	759000
1	380001	385000	385000
1	400001	405000	401500
4	410001	415000	1650000
2	435001	440000	875520
1	460001	465000	462000
2	710001	715000	1426150
1	1095001	1100000	1099230
1	1160001	1165000	1161655
1	1420001	1425000	1421970
1	1485001	1490000	1485253
2	2080001	2085000	4169916
1	2355001	2360000	2358500
1	8370001	8375000	8371146
1	10150001	10155000	10153036
2,307			**50,160,000**

CATEGORIES OF SHAREHOLDER

AS AT JUNE 30, 2015

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	-	-
NIT and ICP	4	1,165,835
Directors		
Mrs. Zubeda Bai	1	5,500
Mr. Mohammed Yasin Fecto	1	10,153,036
Mr. Mohammed Asad Fecto	1	8,371,146
Mr. Altaf A. Hussain	1	2,750
Mr. Safdar Abbas Morawala	1	2,750
Mr. Ijaz Ali	1	2,750
Mr. Aamir Ghani	1	2,750
Mr. Mohammad Anwar Habib	1	2,750
	8	18,543,432
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance and Modarabas	14	2,649,921
Mutual Funds		
CDC Trustee Alfalah GHP Value Fund	1	76,000
CDC Trustee KASB Asset Allocation Fund	1	88,000
CDC Trustee Alfalah GHP Stock Fund	1	437,500
CDC Trustee Alfalah GHP Alpha Fund	1	272,000
CDC Trustee Crosby Dargon Fund	1	66,000
CDC Trustee Askari Equity Fund	1	160,000
CDC Trustee First Capital Mutual Fund	1	42,000
CDC Trustee NAFA Islamic Stock Fund	1	225,000
CDC Trustee NAFA Stock Fund	1	313,500
CDC Trustee Asset Allocation Fund	1	310,000
CDC Trustee Alfalah GHP Islamic Stock	1	71,000
CDC Trustee NAFA Islamic Asset Allocation	1	290,500
M C F S L- Trustee Askari Islamic Asset	1	90,000
CDC Trustee NAFA Pension Fund Equity	1	83,000
CDC Trustee NAFA Islamic Pension Fund	1	54,500
CDC Trustee HBL Mustahekum Sarmaya Fund	1	145,000
	16	2,724,000
OTHERS		
Foreign	3	218,600
Institutions	41	812,989
Individuals – Local	2,221	24,030,223
	2,265	25,076,812
Total	2,307	50,160,000

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

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

SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year ended June 30	2015	2014	2013	2012	2011	2010
PRODUCTION SUMMARY				(Tonnes)		
Clinker production	**703,677**	640,825	689,937	785,345	718,322	772,940
Cement production	**694,458**	680,919	708,346	791,937	757,424	841,904
Cement dIspatches	**694,132**	682,048	709,461	792,597	756,829	841,822
			(Rupees in thousand unless stated otherwise)			
PROFIT & LOSS SUMMARY						
Turnover (net)	**4,779,145**	4,723,814	4,588,064	4,342,634	3,304,272	2,902,684
Gross profit	**1,465,349**	1,277,219	1,254,550	965,662	605,924	152,731
Profit/ (Loss) before tax	**899,636**	769,895	705,968	296,532	91,960	(291,434)
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	50,000	50,000	50,000
Accumulated Profit	**1,869,625**	1,327,395	857,454	824,464	477,735	412,302
Long term loan and lease finance	**80,000**	260,000	125,000	254,648	456,418	684,048
Deferred liabilities	**436,830**	245,133	117,979	25,809	119,406	138,560
Operating assets	**1,957,505**	1,964,768	2,051,702	2,136,402	2,162,168	1,316,405
MISCELLANEOUS						
Contribution to national exchequer	**967,700**	900,099	716,343	697,453	776,363	759,579
Earnings per share (Rs.)	**12.31**	11.87	11.63	6.91	1.34	(4.15)
Break up value per share (Rs.)	**58.24**	47.43	38.06	27.43	20.52	19.22
Current ratio	**01:0.36**	01:0.53	01:0.94	01:1.44	01:1.66	01:1.42
Debt/equity ratio	**3:97**	10:90	6:94	16:84	31:69	42:58
Dividend declared	**50%**	25%	15%	10%	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On behalf of the Board

MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 29, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Fecto Cement Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: September 29, 2015
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Fecto Cement Limited** ("the Company") as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, 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.

We refer to note 11.1.1 which more fully discloses the fact that the Company is in litigation to contest the mining lease cancellation and the Company's responses / measures thereon.

Our opinion is not qualified in respect of above matter.

KPMG Taseer Hadi & Co.

Date: September 29, 2015

Karachi

KPMG Taseer Hadi & Co.

Chartered Accountants

Amir Jamil Abbasi

BALANCE SHEET

	Note	2015	2014
		(Rupees in '000)	
SHARE CAPITAL			
Authorised			
75,000,000 (2014: 75,000,000) ordinary shares of Rs. 10/- each	5	**750,000**	750,000
Issued, subscribed and paid-up			
50,160,000 (2014: 50,160,000) ordinary shares of Rs. 10/- each	5	**501,600**	501,600
GENERAL RESERVE		**550,000**	550,000
ACCUMULATED PROFIT		**1,869,625**	1,327,395
		2,921,225	2,378,995
NON-CURRENT LIABILITIES			
Long term financing	6	**80,000**	260,000
Deferred taxation - Net	7	**436,830**	245,133
		516,830	505,133
CURRENT LIABILITIES			
Short term borrowings	8	**200,000**	407,643
Current maturity of long term liabilities	9	**180,000**	140,000
Trade and other payables	10	**435,068**	424,867
		815,068	972,510
CONTINGENCIES AND COMMITMENTS	11		
		4,253,123	3,856,638

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

AS AT 30 JUNE 2015

	Note	2015	2014
		(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENTS			
Operating assets	12	**1,957,505**	1,964,768
Capital work in progress	13	**3,640**	348
		1,961,145	1,965,116
LONG TERM LOANS AND DEPOSITS	14	**11,857**	25,720
CURRENT ASSETS			
Stores and spares	15	**824,561**	955,915
Stock-in-trade	16	**1,062,162**	637,343
Trade debts - considered good		**13,549**	16,527
Loans, advances, deposits, prepayments and accrued mark-up	17	**159,399**	100,665
Cash and bank balances	18	**220,450**	155,352
		2,280,121	1,865,802
		4,253,123	3,856,638

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		(Rupees in '000)	
Sales - net	19	**4,779,145**	4,723,814
Cost of sales	20	**(3,313,796)**	(3,446,595)
Gross profit		**1,465,349**	1,277,219
Administrative expenses	21	**(258,495)**	(169,599)
Distribution cost	22	**(174,435)**	(197,828)
Finance cost	23	**(81,127)**	(104,185)
Other income	24	**15,019**	21,348
		(499,038)	(450,264)
		966,311	826,955
Workers' funds	25	**(66,675)**	(57,060)
Profit before taxation		**899,636**	769,895
Taxation			
- Current	26	**(90,469)**	(47,400)
- Deferred		**(191,697)**	(127,154)
		(282,166)	(174,554)
Profit after taxation		**617,470**	595,341
Earnings per share - basic & diluted	27	**12.31**	11.87

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net profit after taxation	**617,470**	595,341
Other comprehensive income	**-**	-
Total comprehensive income for the year	**617,470**	595,341

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Profit before taxation	**899,636**	769,895
Adjustments for:		
- Depreciation	**109,041**	106,529
- Gain on disposal of operating assets	**(5,208)**	-
- Assets under Capital Work in Progress written off during the year	**348**	-
- Advance against capital assets written off during the year	**10,019**	-
- Finance cost	**81,127**	104,185
Operating profit before working capital changes	**1,094,963**	980,609
Decrease / (Increase) in stores and spares	**131,354**	(81,857)
(Increase) in stock-in-trade	**(424,819)**	(328,777)
Decrease / (Increase) in trade debts	**2,978**	(1,402)
(Increase) in loans, advances, deposits, prepayments and accrued mark-up	**(12,630)**	(29,135)
Increase / (Decrease) in trade and other payables	**34,843**	(186,596)
Cash generated from operations	**826,689**	352,842
Income tax paid / deducted at source	**(136,573)**	(114,083)
Long term loans and deposits	**3,844**	(5,990)
Net cash generated from operating activities	**693,960**	232,769
Cash flows from investing activities		
Fixed capital expenditure	**(107,663)**	(19,943)
Sale proceeds of operating assets	**7,453**	-
Net cash used in investing activities	**(100,210)**	(19,943)
Cash flows from financing activities		
Disbursement of Long term loans	**-**	400,000
Repayment of Long term financing	**(140,000)**	(250,000)
Repayment of Short term borrowing	**(200,000)**	-
Finance cost paid	**(83,556)**	(119,613)
Dividend paid	**(97,453)**	(80,038)
Net cash used in financing activities	**(521,009)**	(49,651)
Net decrease in cash and cash equivalents	**72,741**	163,175
Cash and cash equivalents as at 01 July	**147,709**	(15,466)
Cash and cash equivalents as at 30 June	**220,450**	147,709
Cash and cash equivalent:		
Cash and bank balances	**220,450**	155,352
Short term running finance	**-**	(7,643)
	220,450	147,709

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Share capital	General reserve	Accumulated profit	Total
	(Rupees in '000)			
Balance as at 30 June 2013	501,600	550,000	857,454	1,909,054
Total comprehensive income for the year				
Profit for the year ended 30 June 2014	-	-	595,341	595,341
Final cash dividend @ 15% for the year ended 30 June 2013	-	-	(75,240)	(75,240)
Interim cash dividend @ 10% for the year ended 30 June 2014	-	-	(50,160)	(50,160)
Balance as at 30 June 2014	501,600	550,000	1,327,395	2,378,995
Total comprehensive income for the year				
Profit for the year ended 30 June 2015	-	-	617,470	617,470
Final cash dividend @ 15% for the year ended 30 June 2014	-	-	(75,240)	(75,240)
Balance as at 30 June 2015	501,600	550,000	1,869,625	2,921,225

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

3.1 Accounting Convention

These financial statements are prepared under the historical cost convention.

3.2 Standards, amendments and interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2015:

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

- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements’. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this Standard and the related amendments are not likely to have an impact on the Company’s financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this Standard and the related amendments are not likely to have an impact on the Company’s financial statements.

- IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- IFRS 13 ‘Fair Value Measurement’ effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- Amendments to IAS 27 ‘Separate Financial Statements’ (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company’s financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company’s financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company’s financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

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

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

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

3.4.1 Income taxes

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

3.4.2 Property, plant and equipment

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

3.4.3 Stock-in-trade and stores and spares

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

3.4.4 Trade debts and other debts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipments

Owned

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

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

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

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

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

Leased

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

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

4.2 Capital work in progress

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

4.3 Staff benefits

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

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

4.4 Stores and spares

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

4.5 Stock-in-trade

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

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

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

4.6 Financial assets other than derivatives

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

4.7 Financial liabilities other than derivatives

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

4.8 Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances. Short term running finances that are repayable on demand and form an integral part of the Company's cash management policy are also included as a component of cash equivalents for the purpose of the statement of cash flows.

4.9 Foreign currency translation

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

4.10 Derivative financial instruments

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

4.11 Taxation

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

Current

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

Deferred

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

4.12 Provisions

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

4.13 Revenue recognition

Sale of goods

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

Profit on term deposits and long term advances

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

4.14 Borrowing cost

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

4.15 Impairment

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

4.16 Offsetting

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

4.17 Dividends and appropriations to reserves

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

4.18 Research and development costs

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

5. SHARE CAPITAL

2015	2014		**2015**	2014
(Number of shares)			**(Rupees in '000)**	
Authorised				
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	**750,000**	750,000
Issued, subscribed and paid up				
45,600,000	45,600,000	Ordinary shares of Rs. 10 each fully paid in cash	**456,000**	456,000
4,560,000	4,560,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**45,600**	45,600
50,160,000	50,160,000		**501,600**	501,600

6. LONG TERM FINANCING - secured

	Note	2015	2014
		(Rupees in '000)	
Pak Brunei Investment Company Limited	6.1	**100,000**	200,000
Saudi Pak Industrial and Agricultural Investment Company Limited	6.2	**160,000**	200,000
		260,000	400,000
Less: Current maturity	9	**(180,000)**	(140,000)
		80,000	260,000

6.1 This represents finance facility of Rs. 200 million (2014: Rs. 200 million) obtained on 31 December 2013 from Pak Brunei Investment Company Limited. This is a bridge finance facility for a period of two years with one year grace period with equal quarterly principal repayments in the second year. Mark up is payable quarterly at 3 months KIBOR plus 2.5% at the date of disbursement and will subsequently be revised on each installment date. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company up to Rs. 267 million. There are certain financial and other covenants associated with the loan. The Company continues to ensure compliance with such covenants.

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

7. DEFERRED TAXATION

	2015	2014
	(Rupees in '000)	
Taxable temporary differences arising in respect of :		
- Accelerated tax depreciation	**440,889**	418,909
Deductible temporary difference arising in respect of:		
- Provision against slow moving and obsolete spares	**(4,059)**	(3,570)
- Available tax losses	**-**	(170,206)
	436,830	245,133

8. SHORT TERM BORROWINGS - secured

	Note	2015	2014
Short term running finances		**-**	7,643
Export Refinance	8.1	**200,000**	400,000
		200,000	407,643

8.1 The Company has a total finance facility of Rs. 2,120 million (2014: Rs. 1,770 million) which includes Running Finance of Rs. 570 million, Export Refinance of Rs. 500 million and Finance Against imported Material and Murahbah /Istisna cum Wakala of Rs. 1,050 million from various banks. These arrangements are secured by way of first pari passu charge over all the Company's movable and immovable properties and hypothecation of Company's stock-in-trade, stores and spares, book debts, machinery, pledge of coal and personal guarantee of sponsoring directors of the Company. The rate of mark-up ranges from 3 months KIBOR plus 1% - 3% (2014: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 6% (2014: 9.4%) per annum. The facilities are available for various periods expiring upto 31 December 2015.

9. CURRENT MATURITY OF LONG TERM LIABILITIES

	Note	2015	2014
		(Rupees in '000)	
Long term financing	6	**180,000**	140,000

10. Trade and other payables

	Note	2015	2014
Creditors for goods:			
- Other creditors		**56,835**	32,231
- Associated company		**10,797**	40,457
Accrued expenses		**45,496**	67,904
Leave encashment payable		**40,360**	29,314
Workers' funds	10.1	**104,724**	79,397
Accrued mark-up - secured	10.2	**7,795**	10,224
Advances from customers		**45,716**	26,199
Deposits from dealers, contractors and suppliers		**9,832**	9,932
Royalty payable		**5**	3,428
Excise duty payable		**21,371**	19,603
Sales tax payable		**44,897**	30,981
Unclaimed dividend		**26,350**	48,571
Unpaid dividend		**288**	280
Other liabilities		**20,602**	26,346
		435,068	424,867

10.1 Workers' Funds

	Note	2015	2014
Workers' profit participation fund			
Opening balance		**41,348**	37,915
Charge for the year	25	**48,316**	41,348
		89,664	79,263
Less: Payment during the year		**(41,348)**	(37,915)
		48,316	41,348
Workers' welfare fund			
Opening balance		**38,049**	22,337
Charge for the year	25	**18,359**	15,712
		56,408	38,049
		104,724	79,397

10.2 Accrued mark-up - secured

	2015	2014
Long term loans	**4,765**	3,538
Running finance	**3,030**	6,686
	7,795	10,224

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 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 CDA, 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 had not received any notice from the Honourable Supreme Court of Pakistan or any other party to the proceedings that any matter was pending against the Company before the Honourable Supreme Court of Pakistan. Thus, the Company had no knowledge of earlier hearings on this matter. Upon receipt of the above mentioned letters, the Company, represented by its legal counsel Messrs Aitzaz Ahsan and Associates, has contested that the activities conducted by it were not in violation of the order of the Honourable Supreme Court of Pakistan.

As mentioned above, the Company has ceased the excavation of minerals, however management based on legal opinion of its legal counsel believes that the outcome of the pending litigation in the Honourable Supreme Court of Pakistan would be in favour of the Company.

11.1.2 The Competition Commission of Pakistan (the CCP) took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honourable Lahore High Court (LHC), the LHC wide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 27 August 2009 and imposed a penalty of Rs. 174.063 million on the Company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

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

11.2 Commitments

	2015	2014
	(Rupees in '000)	
Outstanding letters of credit	**44,450**	12,623

12. OPERATING ASSETS

	2015								
	Cost				Accumulated depreciation				Written down value as at 30 June 2015
	As at 01 July 2014	Additions	Disposals / transfers	As at 30 June 2015	As at 01 July 2014	Charge for the year	Disposals / transfers	As at 30 June 2015	
	(Rupees in '000)								
Owned									
Freehold land	160,356	65,567	-	225,923	-	-	-	-	225,923
Factory building on freehold land	327,715	-	-	327,715	240,393	5,177	-	245,570	82,145
Non-factory building on freehold land	124,339	-	-	124,339	80,186	2,766	-	82,952	41,387
Plant, machinery and equipments	3,238,787	-	-	3,238,787	1,639,403	81,877	-	1,721,280	1,517,507
Quarry transport equipments	124,814	-	-	124,814	88,975	7,184	-	96,159	28,655
Furniture, fixtures and equipments	46,713	-	-	46,713	38,973	2,039	-	41,012	5,701
Motor vehicles	91,184	38,456	(22,448)	107,192	61,210	9,998	(20,203)	51,005	56,187
	4,113,908	104,023	(22,448)	4,195,483	2,149,140	109,041	(20,203)	2,237,978	1,957,505

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

12.1 Allocation of depreciation

	2015	2014
	(Rupees in '000)	
Excavation cost	**22,253**	21,665
Manufacturing cost	**78,078**	77,583
Administrative expenses	**6,404**	5,425
Distribution cost	**2,306**	1,856
	109,041	106,529

12.2 Disposals

Details of disposals of Operating assets	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Particulars of purchasers
	------(Rupees in '000)------					
Toyota Corolla	1,309	1,178	131	145	Negotiation	Mr. Adnan Motiwala - House # 108, 12th Lane, DHA Phase -7, Karachi
Toyota Corolla	946	851	95	110	Negotiation	Mr. Adnan Motiwala - House # 108, 12th Lane, DHA Phase -7, Karachi
Honda City	886	797	89	104	Negotiation	Mr. Adnan Motiwala - House # 108, 12th Lane, DHA Phase -7, Karachi
Honda City	993	894	99	115	Negotiation	Mr. Abrar Ahmed - House # 451, Street 11, Sector F10/2, Islamabad.
Suzuki Cultus	560	504	56	200	Employee - Company Policy	Mr. Faisal Ahmed - 111/3, 2nd Floor, Alnoor Apartment Flat # 5, Maqboolabad, New Town Karachi.
Suzuki Cultus	555	500	55	175	Employee - Company Policy	Mr. Zaheer Ahmed - House # A 409, Administration Society, Baloch Colony, Block M7, Karachi
Suzuki Cultus	656	590	66	225	Employee - Company Policy	Mr. Zahid Ahmed Khan - House # F2-4/10, Malir Ext., Karachi
Suzuki Cultus	550	495	55	425	Employee - Company Policy	Mr. Muhammad Shahnaz Malik - House # 61-A, Street 2, Mukarram Town, Rawalpindi.
Suzuki Jeep	618	556	62	425	Tender	Mr. Faisal Nawaz
Toyota Corolla	879	791	88	1,127	Tender	Mr. Noor Akbar - Rajgan, Sangani Islamabad.
Honda City	886	797	89	810	Tender	Mr. Khawar Khurshid Malik - House # 61/76, Street # 16, Khyaban-e-Iqbal, Peer Wadhai, Rawalpindi.
Suzuki Liana	820	738	82	660	Employee - Company Policy	Mr. Shahbeeh Ul Hassan Zaidi - Chah Syed Munawar Shah, Dera Ismail Khan.
Suzuki Cultus	576	518	58	600	Tender	Mr. Zulfiqar Ali Somro - House # 116, Rawal Town, Street # 5, Islamabad.
Honda Civic	1,270	1,143	127	127	Employee - Company Policy	Mr. Amjad Ali - College Colony, Saidu Sharif, Baboozai, Sawat.
Toyota Camry	6,299	5,669	630	1,600	Negotiation	Mr. Aqil Iqbal - Flat # 608, A-1, Civic View, Block 13-D, Gulshan-e- Iqbal, Karachi
Suzuki Mehran	365	329	36	40	Employee - Company Policy	Mr. Ayaz Ahmed - House # L-309, Sector 5-C3, North Karachi, Karachi.
Suzuki Mehran	365	329	36	40	Employee - Company Policy	Mr. Muhammad Hanif - House # R-35, 15-A2, Buffer Zone, North Nazimabad, Karachi.
Suzuki Cultus	755	680	75	100	Employee - Company Policy	Mr. Zafar Pasha - House # 5/587, Liaqatabad, Karachi.
Toyota Altis 1.8	1,219	1,097	122	150	Negotiation	Ms. Ayesha Moosa - House # D-53,Miran Muhammad Shah Road, KDA Scheme # 1, Karachi.
Suzuki Cultus	772	695	77	150	Negotiation	Mr. Asim Iqbal - House # B-2182, Gali # 10,Mehmoodabad, Azam Town, Karachi.
Toyota Corolla	1,169	1,052	117	125	Employee - Company Policy	Syed Muhammad Taha - House # C-13, Sadat Colony, Shah Faisal Colony, Karachi
	22,448	20,203	2,245	7,453		

13. CAPITAL WORK IN PROGRESS

		2015	2014
		(Rupees in '000)	
Building			
Opening balance		**-**	-
Expenditure incurred during the year		**3,640**	-
Transferred to operating assets		**-**	-
		3,640	-
Machinery and equipments			
Opening balance		**348**	-
Expenditure incurred during the year		**-**	348
Written-off during the period		**(348)**	-
		-	348

14. LONG TERM LOANS AND DEPOSITS

		2015	2014
Long term deposits	14.1	**4,555**	4,533
Advance against capital assets	14.2	**-**	10,019
Long term loans - unsecured, considered good			
- Employees - interest free		**4,163**	4,982
- Executives - interest free	14.3	**923**	1,049
- Sui Northern Gas Pipelines Limited	14.4	**8,371**	12,188
		13,457	18,219
Current portion	17	**(6,155)**	(7,051)
		7,302	11,168
		11,857	25,720

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

14.2 During the year, the Company has written off the advance against capital asset given for preparing plans for installation of 15 MW coal fired power plant.

14.3 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.638 million (2014: Rs. 1.650 million). The loan to executives and employees are in accordance with the terms of their employment.

14.4 This represents the unsecured loan of Rs. 44.48 million given to Sui Northern Gas Pipelines Limited for laying of gas pipeline and is repayable in 10 equal yearly installments after grace period of two years starting from 7 December 2007. This loan had been measured to its present value using prevailing market rate of mark-up at 8% per annum for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.

15. STORES AND SPARES

		2015	2014
		(Rupees in '000)	
Stores		**219,508**	300,988
Spares	15.1	**606,897**	571,332
Stores in transit		**13,156**	98,595
Provision against slow moving and obsolete spares	15.2	**(15,000)**	(15,000)
		824,561	955,915

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

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

16. STOCK-IN-TRADE

	2015	2014
	(Rupees in '000)	
Finished goods	**32,769**	32,878
Work-in-process	**394,190**	219,874
Raw material	**600,222**	347,240
Packing material	**34,981**	37,351
	1,062,162	637,343

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

	Note	2015	2014
Current portion of long term loans and deposits - unsecured, considered good	14	**6,155**	7,051
Advances to suppliers and contractors - unsecured, considered good		**18,306**	5,706
Margin against bank guarantee	17.1	**11,000**	11,000
Income tax (payments less provisions)		**116,724**	71,729
Advance sales tax		**4,803**	3,468
Deposits		**538**	-
Prepayments		**1,798**	1,599
Accrued mark-up		**75**	112
		159,399	100,665

17.1 This represents Rs. 11 million (2014: Rs. 11 million) margin given to Silk Bank Limited against the bank guarantee of Rs. 110 million (2014: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

18. CASH AND BANK BALANCES

	2015	2014
	(Rupees in '000)	
In hand	**1,040**	955
With banks in current accounts	**219,410**	154,397
	220,450	155,352

19. SALES - net

	2015	2014
Local sales	**4,714,246**	4,411,240
Less:		
- Sales tax	**(747,687)**	(704,617)
- Excise duty	**(220,013)**	(195,482)
	(967,700)	(900,099)
	3,746,546	3,511,141
Export sales	**1,029,470**	1,207,540
Export rebate	**3,129**	5,133
	4,779,145	4,723,814

20. COST OF SALES

		2015	2014
		(Rupees in '000)	
Raw and packing material consumed:			
- Opening stock		**384,591**	60,910
- Purchases		**377,854**	384,164
- Excavation cost	20.1	**412,925**	491,615
		1,175,370	936,689
Closing stock		**(635,203)**	(384,591)
		540,167	552,098
Fuel and power		**2,320,493**	2,351,546
Stores and spares consumed		**120,226**	108,122
Salaries, wages and benefits	20.2	**308,697**	268,220
Insurance		**26,761**	26,179
Repairs and maintenance		**31,446**	13,917
Depreciation	12.1	**78,078**	77,583
Other manufacturing overheads		**62,135**	54,025
		3,488,003	3,451,690
Opening work-in-process		**219,874**	212,319
Closing work-in-process		**(394,190)**	(219,874)
Cost of goods manufactured		**3,313,687**	3,444,135
Opening finished goods		**32,878**	35,338
Closing finished goods		**(32,769)**	(32,878)
		3,313,796	3,446,595

20.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 24.253 million (2014: Rs. 19.315 million) and Rs. 0.696 million (2014: Rs. 0.571 million) respectively.

20.2 This includes Company's contribution to provident fund amounting to Rs. 8.553 million (2014: Rs. 7.390 million).

21. ADMINISTRATIVE EXPENSES

		2015	2014
Salaries, wages and benefits	21.1	**121,026**	100,321
Travelling and conveyance		**5,463**	6,001
Vehicles running expenses		**9,995**	8,705
Communications		**3,577**	2,860
Printing and stationery		**1,472**	1,397
Rent, rates and taxes		**9,598**	8,813
Utilities		**8,821**	8,444
Repairs and maintenance		**2,144**	1,832
Legal and professional charges		**70,135**	7,160
Auditors' remuneration	21.2	**875**	683
Donations	21.3	**4,031**	3,648
Depreciation	12.1	**6,404**	5,425
Miscellaneous		**14,954**	14,310
		258,495	169,599

21.1 This includes Company's contribution to provident fund amounting to Rs. 3.669 million (2014: Rs. 3.220 million).

21.2 Auditors' remuneration

	2015	2014
	(Rupees in '000)	
Audit fee	**600**	500
Half yearly review	**100**	75
Other services	**85**	50
Out of pocket expenses	**90**	58
	875	683

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

22. DISTRIBUTION COST

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	22.1	**35,592**	29,333
Commission		**113,934**	146,383
Export expenses		**5,665**	6,692
Travelling and conveyance		**537**	476
Vehicles running expenses		**2,618**	2,641
Communications		**787**	841
Rent, rates and taxes		**2,086**	2,148
Repairs and maintenance		**579**	510
Advertisement		**107**	90
Marking fee		**4,843**	4,763
Depreciation	12.1	**2,306**	1,856
Miscellaneous		**5,381**	2,095
		174,435	197,828

22.1 This includes Company's contribution to provident fund amounting to Rs. 1.246 million (2014: Rs. 0.999 million).

23. FINANCE COST

	2015	2014
Mark-up on:		
- Long term loans	**41,725**	38,478
- Running finance	**30,276**	60,591
Legal documentation fee	**-**	102
Bank commission and charges	**9,126**	5,014
	81,127	104,185

24. OTHER INCOME

	2015	2014
Mark-up on bank deposits	**7,619**	4,125
Mark-up on long term advance	**163**	229
Accretion of discount	**630**	851
Gain on sale of operating assets	**5,208**	-
Scrap sales	**1,389**	15,942
Miscellaneous	**10**	201
	15,019	21,348

25. WORKERS' FUNDS

	2015	2014
	(Rupees in '000)	
Workers' profit participation fund	**48,316**	41,348
Workers' welfare fund	**18,359**	15,712
	66,675	57,060

26. TAXATION

	2015	2014
Relationship between income tax expense and accounting profit before taxation	**899,636**	769,895
Tax at the applicable rate of 33% (2014: 35%)	**296,880**	269,463
Net tax effect of items taxed at different rate	**(100,053)**	(76,689)
Tax effect of inadmissible expenses	**1,330**	1,277
Tax effect of assessed loss	**-**	(19,497)
Tax effect of change in tax rate and estimate of normal tax regime	**84,009**	-
Net tax charge for the year	**282,166**	174,554

The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2014.

27. EARNINGS PER SHARE - Basic and Diluted

	2015	2014
Earning after taxation	**617,470**	595,341
	(Number in '000)	
Weighted average number of ordinary shares	**50,160**	50,160
	(Rupees)	
Earnings per share	**12.31**	11.87

28. OPERATING SEGMENTS

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

- Revenue from sale of cement represents 100% (2014 : 100%) of the total revenue of the Company.

- 82% (2014: 79%) gross sales of the Company relates to customers in Pakistan.

- All non-current assets of the Company at 30 June 2015 are located in Pakistan.

- The amount of revenue from one major customer having sales of more than 10% of total sales amounts to Rs. 527.370 million, excluding sales tax and Federal Excise Duty, during the year ended 30 June 2015.

29. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	**11,273**	**11,273**	**120,795**	9,395	9,395	94,554
Bonus	**2,423**	**2,423**	**17,702**	1,210	1,210	12,758
Retirement benefits	**-**	**-**	**7,698**	-	-	6,054
Reimbursable perquisites	**726**	**726**	**7,446**	605	605	5,747
Meeting fee	**-**	**95**	**-**	-	105	-
	14,422	**14,517**	**153,641**	11,210	11,315	119,113
	(Number)					
Number of directors & executives	1	1	69	1	1	54
Number of non-executive directors	-	7	-	-	7	-

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

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

30. TRANSACTIONS / BALANCES WITH RELATED PARTIES

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

	2015	2014
	(Rupees in '000)	
Associated company (Frontier Paper Products (Private) Ltd.)		
Balance as on 1 July 2014	**40,457**	26,470
Purchases	**157,904**	159,206
Payment during the year	**(187,564)**	(145,219)
Balance as on 30 June 2015	**10,797**	40,457
Key Management Personnel:		
Disbursement of advances to key management personnel	**2,263**	1,070
Repayment of advances by key management personnel	**2,389**	1,097
Outstanding loans to key management personnel as on 30 June 2015	**923**	1,049
Others (Provident Fund)		
Payable to provident fund	**2,361**	1,324

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 2015 are as follows:

	(Unaudited) 2015	(Audited) 2014
	(Rupees in '000)	
Size of the fund - Net assets	**273,644**	237,486
Cost of the investment made	**257,296**	223,672
Percentage of the investment made	**94%**	94%
Fair value of the investment made	**257,296**	223,672

The break up of fair value of the investment is:

	2015 (Unaudited)		2014 (Audited)	
	Amount	**%**	Amount	%
Bank balances	**14,796**	**6%**	9,050	4%
Term deposit receipts	**117,500**	**46%**	170,000	76%
Mutual funds	**125,000**	**48%**	44,622	20%
	257,296		223,672	

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

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

	2015	2014
	(Tons)	
Rated Capacity	**780,000**	780,000
Actual Production	**703,677**	640,825

The capacity utilization of the Company during the current year remained under utilized due to market situation. The average number of employees for the year ended 30 June 2015 were 881 (2014: 883).

33. FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

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

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

	2015		2014	
	Balance sheet	**Maximum exposure**	Balance sheet	Maximum exposure
	(Rupees in '000)			
Trade debts	**13,549**	**13,549**	16,527	16,527
Long term loans and deposits	**7,935**	**7,935**	15,701	15,701
Loans, advances, deposits and accrued mark-up	**13,320**	**13,320**	18,163	18,163
Cash and bank balances	**220,450**	**220,195**	155,352	154,397
	255,254	**254,999**	205,743	204,788

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

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

	2015	2014
	(Rupees in '000)	
Dealer / distributor	**12,099**	15,796
End-user customers	**1,450**	731

33.1.3 Impairment losses

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

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Not past due	**-**	**-**	-	-
Past due 1-60 days	**6,784**	**-**	9,893	-
Past due 61 days -1 year	**1,475**	**-**	1,012	-
More than one year	**5,290**	**-**	5,622	-
	13,549	**-**	16,527	-

33.1.4 Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors do not require any impairment. None of the other financial assets are either past due or impaired.

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2015					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to five years**	**More than five years**
	(Rupees in '000)					
Non-Derivative						
Financial liabilities						
Long term financing	**260,000**	**283,820**	**155,233**	**44,752**	**83,835**	**-**
Short-term running finance	**200,000**	**212,000**	**212,000**	**-**	**-**	**-**
Trade and other payables	**218,353**	**218,353**	**218,353**	**-**	**-**	**-**
	678,353	**714,173**	**585,586**	**44,752**	**83,835**	**-**

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-Derivative						
Financial liabilities						
Long term financing	400,000	472,991	25,479	162,368	285,144	-
Short-term running finance	407,643	447,714	-	447,714	-	-
Trade and other payables	265,259	265,259	265,259	-	-	-
	1,072,902	1,185,964	290,738	610,082	285,144	-

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 6 and 8 to these financial statements.

33.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk.

33.3.1 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.

33.3.2 Interest rate risk

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

	Carrying amount	
	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	**190,474**	105,818
Financial liabilities	**-**	-
	190,474	105,818
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**460,000**	807,643
	460,000	807,643

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss	Equity
	(Rupees in '000)	
As at 30 June 2015		
Cash flow sensitivity - Variable rate instruments	**4,600**	4,600
As at 30 June 2014		
Cash flow sensitivity - Variable rate instruments	**8,076**	8,076

33.3.3 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, the Company is not exposed to equity price risk.

33.4 Collateral

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

33.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

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

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

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

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

33.6 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

These financial statements were authorised for issue in the Board of Directors meeting held on 29 September, 2015.

34.1 The Board of Directors in its meeting held on September 29, 2015 has proposed a final cash dividend of 50% i.e. Rs. 5 per share for the year (2014: 15%) 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. 250.80 million (2014: Rs. 75.24 million) which will be accounted for in the financial statements for the year ending 30 June 2016.

34.2 These financial statements were authorised for issue in the Board of Directors meeting held on 29 September 2015.

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

FORM OF PROXY

I/We ____

of ____

being a member of FECTO CEMENT LIMITED hereby appoint ____________________

____

(NAME)

of ____

who is also a member of the Company vide Registration Folio Number____________ as my/our proxy in my/our absence to vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held on Tuesday, October 27, 2015 at 12.00 Noon at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Member's Signature

Revenue Stamp

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

Shares held (Nos.) ______________________

Place______________________Date________________

Witness:________________________
Signature

Name:__________________________

Address :_______________________

____

Note:

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

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

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