



Half Yearly Report December 2015
FECTO CEMENT LIMITED

Contents

Corporate Information	2
Directors' Review	3
Auditors' Report to the Members	
on Review of Interim Financial Information.....	6
Condensed Interim Balance Sheet	8
Condensed Interim Profit and Loss Account	10
Condensed Interim Statement of Comprehensive Income.....	11
Condensed Interim Cash Flow Statement	12
Condensed Interim Statement of Changes in Equity	13
Notes to the Condensed Interim Financial information.....	14



CORPORATE INFORMATION

BOARD OF DIRECTORS

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 Invest. 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, Shakra-e-Faisal
 Karachi-75350
 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



DIRECTORS' REVIEW

Your Directors are pleased to present before you their report together with Condensed Interim Financial Information and Auditors Limited Scope Review Report thereon for the half year ended December 31, 2015.

OVERVIEW OF THE INDUSTRY

During the half year under review, overall cement dispatches witnessed a growth of 6.37% as compared to same period last year. Total sales volume of the industry reached to 18.21 Million tons as against the total sales volume of 17.12 Million tons of same period last year. Local sales volume of the industry reached to 15.20 Million tons as against local sales volume of 13.07 Million tons as compared to same period last year witnessing an increase of 16.32%. Exports of the industry, however, reduced by 25.67% with sales volume of 3.02 Million tons as against the export volume of 4.06 Million tons of same period last year. Overall dispatches of plants located in North part of the Country increased by 7.70% during half year under review mainly due to growth of 15.30% in local sales volume whereas exports reduced by 25.07% as compared to same period last year.

OPERATING PERFORMANCE

The production and dispatches of the Company for the period under review with a comparison of same period last year are as follows:

	Tons			
	Quarter ended		Half year ended	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Production:				
Clinker	178,496	183,655	315,026	344,785
Cement	199,401	179,209	361,295	351,993
Dispatches:				
Local	157,133	134,306	283,296	245,433
Export	43,599	52,412	76,008	103,925
Total	<u>200,732</u>	<u>186,718</u>	<u>359,304</u>	<u>349,358</u>

During the quarter Production of clinker reduced by 2.81% whereas in half year same was reduced by 8.63%; Production of cement was however, increased by 11.27% and 2.64% for the Quarter and half year respectively.



Overall dispatches of your Company were increased by 7.51% and 2.85% for the quarter and half year respectively as against same periods of last year. Local sales volume of the Company during the quarter increased by 17.00% whereas during half year same increased by 15.43%. Exports of the Company on the other hand, reduced by 16.81% and 26.86% during the quarter and half year respectively.

FINANCIAL PERFORMANCE

During the half year under review, overall net sales revenue of the Company increased to Rs. 2,492 Million as against the net sales revenue of Rs. 2,394 Million of same period last year thus depicting an increase of Rs. 98 Million which is 4.09% out of which 2.85% was due to volumetric growth whereas remaining 1.24% was achieved due to better retention price. Local net sales revenue increased to 2,027 Million as against Rs. 1,785 Million of same period last year, showing an increase of Rs. 242 Million which was 13.56%. Local retention prices reduced marginally during the half year under review. Export revenue of the Company reduced to Rs. 465 Million as against Rs. 609 Million of same period last year which is 23.65%. Export prices during the quarter under review witnessed downward trend.

Cost of sales of the Company during half year under review reduced to Rs. 1,703 Million as against the cost of sales of Rs. 1,735 Million of same period last year thus showing a reduction of Rs. 32 Million which was 1.84%. The reduction in cost was mainly attributed due to reduced coal prices in international market and reduction in electricity rates in shape of fuel price adjustment.

Company during the period under review earned gross profit of Rs. 788 Million as against Rs. 659 Million of same period last year which is 19.58% higher as compared to same period last year.

Administration cost increased during the period mainly due to increase in salaries and wages on account of annual increment and increase of minimum wages by the Government. Distribution cost reduced due to lesser export volume resulting reduction in export expenses and commission to dealers of Afghanistan.

Finance cost during the half year under review reduced to Rs. 9.25 Million as against Rs. 44.43 Million of same period last year. This reduction was due to lesser utilization of short term facilities and principal repayment of long term loans.

Company during half year earned net profit before taxation of Rs. 538 Million as against Rs. 386 Million of same period last year, whereas profit before taxation for the quarter increased to Rs. 294 Million as against Rs. 166 Million of same period last year registering an increase of 77.11%. Company achieved EPS of Rs. 8.21 per share and



Rs.4.61 per share for the half year and quarter respectively as against EPS of Rs. 5.67 and Rs. 2.42 per share for the same periods last year.

DIVIDEND

The Board of Directors in its meeting held on 26 February 2016 has approved an interim cash dividend @ 50% i.e. Rs. 5.00 per share for the year ending 30 June 2016.

CANCELLATION OF MINING LEASE

There has been no change in the status of issue of mining lease cancellation as reported in our report for the year ended June 30, 2015. The Statutory Auditors have also drawn attention of the members in their Review Report at Note No. 10.1.1 of the Condensed Interim Financial Information.

CASUAL VACANCY

During the period under review a casual vacancy has occurred in the Board due to the demise of one of the Board members namely Mrs. Zubeda Bai. The said vacancy will be filled by the Board in the stipulated time.

FUTURE PROSPECTS

Momentum of improved demand of cement in local market is expected to continue during remaining months of the current financial year on the back of improved economic activities coupled with expected initiation of projects under China Pakistan Economic Corridor (CPEC). Exports on the other hand would remain under pressure with lower retention prices. This shortfall however, would be mitigated by improved local volume.

ACKNOWLEDGMENT

The Board would like to place on record their appreciation to all the financial institutions, banks, customers and employees of the Company for their continued support, co-operation and dedicated work.

For and on behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: 26 February 2016



Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Fecto Cement Limited** ("the Company") as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Emphasis of Matter

We draw attention to note 10.1.1 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 conclusion is not qualified in respect of this matter.

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 31 December 2015 have not been reviewed and we do not express a conclusion on them.

Date: 26 February 2016

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi



Condensed Interim as at

		Un-audited 31 December 2015 (Rupees in '000)	Audited 30 June 2015
Note			
SHARE CAPITAL			
Authorised			
		75,000,000 (30 June 2015: 75,000,000) ordinary shares of Rs. 10/- each	<u>750,000</u> <u>750,000</u>
		Issued, subscribed and paid-up	
		50,160,000 (30 June 2015: 50,160,000) ordinary shares of Rs. 10/- each	501,600 501,600
		GENERAL RESERVE	550,000 550,000
		ACCUMULATED PROFIT	<u>2,030,539</u> <u>1,869,625</u>
		3,082,139	2,921,225
NON-CURRENT LIABILITIES			
	6	40,000	80,000
	7	409,427	436,830
		449,427	516,830
CURRENT LIABILITIES			
	8	-	200,000
		80,000	180,000
	9	574,317	435,068
		654,317	815,068
CONTINGENCIES AND COMMITMENTS			
	10	<u>4,185,883</u>	<u>4,253,123</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Balance Sheet

31 December 2015

	Un-audited 31 December 2015	Audited 30 June 2015
Note	(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENT		
Operating assets	11 1,913,527	1,957,505
Capital work in progress	5,288	3,640
	1,918,815	1,961,145
LONG TERM LOANS AND DEPOSITS	7,256	11,857
CURRENT ASSETS		
Stores and spares	12 836,158	824,561
Stock-in-trade	929,182	1,062,162
Trade debts - considered good	10,301	13,549
Loans, advances, deposits, prepayments and accrued markup	13 91,155	159,399
Cash and bank balances	393,016	220,450
	2,259,812	2,280,121
	4,185,883	4,253,123



(MOHAMMED YASIN FECTO)
Chief Executive



(MOHAMMED ANWAR HABIB)
Director



Condensed Interim Profit & Loss Account (Un-audited) for the six months period ended 31 December 2015

Note	Six months ended 31 December		Quarter ended 31 December		
	2015	2014	2015	2014	
----- (Rupees in '000) -----					
Sales - net	14	2,491,563	2,394,141	1,374,896	1,278,188
Cost of sales	15	(1,703,199)	(1,735,374)	(957,617)	(971,928)
Gross profit		788,364	658,767	417,279	306,260
Administrative expenses		(127,900)	(105,707)	(64,472)	(52,996)
Distribution cost		(80,473)	(99,539)	(39,178)	(50,425)
Finance cost		(9,246)	(44,429)	(3,314)	(26,393)
Other income		7,203	5,098	5,239	2,120
		(210,416)	(244,577)	(101,725)	(127,694)
		577,948	414,190	315,554	178,566
Workers' funds		(39,878)	(28,579)	(21,773)	(12,321)
Profit before taxation		538,070	385,611	293,781	166,245
Provision for taxation					
- Current		(153,758)	(23,976)	(92,143)	(12,802)
- Deferred		27,402	(77,010)	29,433	(31,903)
		(126,356)	(100,986)	(62,710)	(44,705)
Profit after taxation		411,714	284,625	231,071	121,540
----- (Rupees) -----					
Earnings per share					
- basic & diluted		8.21	5.67	4.61	2.42

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.




(MOHAMMED YASIN FECTO)
Chief Executive


(MOHAMMED ANWAR HABIB)
Director

Condensed Interim Statement of Comprehensive
Income (un-audited)
for the six months period ended 31 December 2015

	Six months ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Profit after taxation	411,714	284,625	231,071	121,540
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>411,714</u>	<u>284,625</u>	<u>231,071</u>	<u>121,540</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



(MOHAMMED YASIN FECTO)
Chief Executive



(MOHAMMED ANWAR HABIB)
Director



Condensed Interim Cash Flow Statement (Un-audited) for the six months period ended 31 December 2015

	Six months ended 31 December	
	2015	2014
	(Rupees in '000)	
Profit before taxation	538,070	385,611
Adjustments for:		
- Depreciation	56,569	54,108
- Provision for bad debts	3,484	-
- Gain on disposal of operating assets	(200)	(45)
- Finance cost	9,246	44,429
Operating profit before working capital changes	607,169	484,103
(Increase) / Decrease in stores and spares	(11,597)	17,367
Decrease / (Increase) in stock-in-trade	132,980	(264,017)
(Increase) / Decrease in trade debts	(236)	8,293
Decrease / (Increase) in loans, advances, deposits, prepayments and accrued mark-up	10,375	(34,121)
Increase in trade and other payables	61,384	94,061
Cash generated from operations	800,075	305,686
Income tax paid / deducted at source	(95,892)	(35,821)
Long term loans and deposits	4,601	(26,566)
Net cash generated from operating activities	708,784	243,299
Cash flows from investing activities		
Fixed capital expenditure	(15,359)	(82,899)
Sale proceeds of operating assets	1,320	359
Net cash used in investing activities	(14,039)	(82,540)
Cash flows from financing activities		
Finance cost paid	(15,148)	(41,691)
Repayment of long term financing	(140,000)	-
Repayment of short term financing	(200,000)	-
Dividend paid	(167,031)	(91,306)
Net cash used in financing activities	(522,179)	(132,997)
Net increase in cash and cash equivalents	172,566	27,762
Cash and cash equivalents at beginning of the period	220,450	147,709
Cash and cash equivalents at end of the period	393,016	175,471
Cash and cash equivalents:		
Cash and bank balances	393,016	192,894
Short term borrowings	-	(17,423)
	393,016	175,471

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



(MOHAMMED YASIN FECTO)
Chief Executive



(MOHAMMED ANWAR HABIB)
Director



Condensed Interim Statement Changes in Equity (Un-audited) for the six months period ended 31 December 2015

	Share Capital	General Reserve	Accumulated Profit	Total
	----- (Rupees in '000) -----			
Balance as at 30 June 2014	501,600	550,000	1,327,395	2,378,995
Total comprehensive income for the six months ended 31 December 2014	-	-	284,625	284,625
Transactions with owners recorded directly in equity:				
Final Cash dividend @ 15% for the year ended 30 June 2014	-	-	(75,240)	(75,240)
Balance as at 31 December 2014	<u>501,600</u>	<u>550,000</u>	<u>1,536,780</u>	<u>2,588,380</u>
Total comprehensive income for the six months ended 30 June 2015	-	-	332,845	332,845
Balance as at 30 June 2015	<u>501,600</u>	<u>550,000</u>	<u>1,869,625</u>	<u>2,921,225</u>
Total comprehensive income for the six months ended 31 December 2015	-	-	411,714	411,714
Transactions with owners recorded directly in equity:				
Final Cash dividend @ 50% for the year ended 30 June 2015	-	-	(250,800)	(250,800)
Balance as at 31 December 2015	<u><u>501,600</u></u>	<u><u>550,000</u></u>	<u><u>2,030,539</u></u>	<u><u>3,082,139</u></u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



(MOHAMMED YASIN FECTO)
Chief Executive



(MOHAMMED ANWAR HABIB)
Director



Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended 31 December 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, Shahrah-e-Faisal, Karachi, Sindh. Its shares are quoted on Pakistan Stock Exchange. It is principally engaged in production and sale of cement.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

This condensed interim financial information of the Company for the six months period ended 31 December 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Rule Book of Pakistan Stock Exchange as required by the Code of Corporate Governance. The figures in the condensed interim financial information for the quarter ended 31 December 2015 and 31 December 2014 have not been reviewed by the auditors.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the company as at and for the year ended 30 June 2015.

The comparative balance sheet presented in this condensed interim financial information as at 31 December 2015 has been extracted from the audited financial statements of the Company for the year ended 30 June 2015, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement are extracted from the unaudited condensed interim financial information for the six months period ended 31 December 2014.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Company's functional currency.



3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company as at and for the year ended 30 June 2015.

Amendments to certain existing accounting standards and new interpretations on approved accounting standards effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2015.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2015.

6. LONG TERM FINANCING - SECURED

		(Un-audited) 31 December 2015	(Audited) 30 June 2015
		(Rupees in '000)	
Pak Brunei Investment Company Limited	6.1	-	100,000
Saudi Pak Industrial and Agricultural Investment Company Limited	6.2	<u>120,000</u>	<u>160,000</u>
		<u>120,000</u>	<u>260,000</u>
Less: Current maturity of long term loans		<u>(80,000)</u>	<u>(180,000)</u>
		<u>40,000</u>	<u>80,000</u>



- 6.1 The company had obtained finance facility of Rs. 200 million from Pak Brunei Investment Company Limited on December 2013. This was 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 was 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 was secured by a registered first pari passu charge on all present and future fixed assets of the Company up to Rs. 267 million. The company prepaid the facility on 07 July 2015.
- 6.2 This represents finance facility of Rs. 200 million (30 June 2015: 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 - net	(Un-audited)	(Audited)
	31 December	30 June
	2015	2015
	(Rupees in '000)	
Deferred tax (asset) / liability comprises of (deductible) / taxable temporary differences in respect of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation	<u>414,478</u>	<u>440,889</u>
	414,478	440,889
Deductible temporary differences arising in respect of:		
- Provision against slow moving and obsolete spares	(3,936)	(4,059)
- Provision for bad debts	(1,115)	-
	<u>409,427</u>	<u>436,830</u>

8 SHORT TERM BORROWINGS - secured

The Company has a total finance facility of Rs. 2,120 million as of 31 December 2015 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% per annum except Export Re-Finance on which mark-up rate is 4.5% per annum.



The facilities are available for various periods expiring upto 30 June 2016.

9 TRADE AND OTHER PAYABLES	(Un-audited)	(Audited)
	31 December	30 June
	2015	2015
	(Rupees in '000)	
Creditors for Goods:		
- Other creditors	120,503	56,835
- Associated company	8,674	10,797
Accrued expenses	73,531	45,496
Leave encashment payable	34,814	40,360
Workers' funds	96,286	104,724
Accrued mark-up - secured	1,893	7,795
Advances from customers	34,818	45,716
Deposits from dealers, contractors and suppliers	9,562	9,832
Royalty payable	7	5
Excise duty payable	23,335	21,371
Sales tax payable	41,455	44,897
Unclaimed dividend	110,119	26,350
Unpaid dividend	288	288
Other liabilities	19,032	20,602
	574,317	435,068

9.1 WORKERS' FUNDS

Workers' Profit Participation Fund

Opening balance	48,316	41,348
Charge for the Period / Year	28,897	48,316
	77,213	89,664
Payments made during the period	(48,316)	(41,348)
	28,897	48,316

Workers' Welfare Fund

Opening balance	56,408	38,049
Charge for the Period / Year	10,981	18,359
	67,389	56,408
	96,286	104,724



10. CONTINGENCIES AND COMMITMENTS

10.1 CONTINGENCIES

- 10.1.1** 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 favor of the Company.

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



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

- 10.1.3** Income tax returns upto tax year 2015 have been submitted with the tax authorities. For tax years 2009 to 2013, notices under section 122(9) of the Income Tax Ordinance, 2001 were issued whereby the basis of allocation of expenses were changed from gross sales to net sales basis. The company is contesting the matter and a stay has been obtained from the High Court of Sindh.

Certain sales tax proceedings were started during the year 2015 and were also resolved including the matter wherein the Additional Commissioner Inland Revenue (ACIR) - Karachi issued an order creating sales tax demand of Rs. 581.788 million. The Company instituted an appeal and Commissioner Inland Revenue (Appeals) passed an order whereby the order against the Company was annulled as being defective on legal as well as factual grounds including the fact that such order was time barred.

10.2 Commitments	(Un-audited)	(Audited)
	31 December	30 June
	2015	2015
	(Rupees in '000)	
Outstanding letters of credit	<u>47,994</u>	<u>44,450</u>
11. PROPERTY, PLANT AND EQUIPMENT - OPERATING FIXED ASSETS		
Opening written down value	1,957,505	1,964,768
Additions during the period / year - at cost		
- Land	13	65,567
- Motor vehicles	13,698	38,456
	13,711	104,023
Written down value of deletions during the period / year	(1,120)	(2,245)
Depreciation for the period / year	(56,569)	(109,041)
	(57,689)	(111,286)
Closing written down value	<u>1,913,527</u>	<u>1,957,505</u>



	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	(Rupees in '000)	
12. STOCK-IN-TRADE		
Finished goods	39,054	32,769
Work-in-process	261,926	394,190
Raw material	594,663	600,222
Packing material	33,539	34,981
	<u>929,182</u>	<u>1,062,162</u>
13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND ACCRUED MARK-UP		
	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	(Rupees in '000)	
Current portion of long term loans and deposits- unsecured, considered good	6,155	6,155
Advances to Suppliers and contractors - unsecured, considered good	4,508	18,306
Margin against bank guarantee	13.1 11,000	11,000
Income Tax payments less provisions	59,972	116,724
Advance sales tax	4,377	4,803
Deposits	245	538
Prepayments	4,894	1,798
Accrued mark-up	4	75
	<u>91,155</u>	<u>159,399</u>
13.1	This represents Rs. 11 million (June 2015: Rs. 11 million) margin given to Silk Bank Limited against the bank guarantee of Rs. 110 million (June 2015: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.	



14. SALES - net	Six months ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	(Un-audited)		(Un-audited)	
	----- (Rupees in '000) -----			
Sales - Local	2,557,152	2,244,046	1,414,424	1,225,878
Less: Excise duty	(120,708)	(104,318)	(66,968)	(57,004)
Sales tax	(409,939)	(354,469)	(227,292)	(193,708)
	<u>2,026,505</u>	<u>1,785,259</u>	<u>1,120,164</u>	<u>975,166</u>
Sales - Export	463,303	607,289	254,550	302,939
Export Rebate	1,755	1,593	182	83
	<u>2,491,563</u>	<u>2,394,141</u>	<u>1,374,896</u>	<u>1,278,188</u>
15. COST OF SALES				
Raw and packing material consumed:				
Opening stock	635,203	384,591	613,508	504,476
Purchases	182,777	187,680	118,360	106,921
Excavation cost	116,060	281,000	68,328	151,427
	<u>934,040</u>	<u>853,271</u>	<u>800,196</u>	<u>762,824</u>
Closing stock	(628,202)	(591,601)	(628,202)	(591,601)
	<u>305,838</u>	<u>261,670</u>	<u>171,994</u>	<u>171,223</u>
Fuel and power	919,743	1,218,953	500,170	653,560
Stores and spares consumed	55,930	51,186	21,670	35,823
Salaries, wages and benefits	203,337	172,322	103,792	89,674
Insurance	13,054	13,104	6,527	6,155
Repairs and maintenance	8,675	5,977	3,646	4,429
Depreciation	39,537	38,937	19,753	19,531
Other manufacturing overheads	31,106	30,233	13,959	14,744
	<u>1,577,220</u>	<u>1,792,382</u>	<u>841,511</u>	<u>995,139</u>
Opening work-in-process	394,190	219,874	365,666	247,129
Closing work-in-process	(261,926)	(265,126)	(261,926)	(265,126)
Cost of goods manufactured	<u>1,709,484</u>	<u>1,747,130</u>	<u>945,251</u>	<u>977,142</u>
Opening finished goods	32,769	32,878	51,420	39,420
Closing finished goods	(39,054)	(44,634)	(39,054)	(44,634)
	<u>1,703,199</u>	<u>1,735,374</u>	<u>957,617</u>	<u>971,928</u>



16. TAXATION - CURRENT

The Finance Act 2015 introduced a requirement on public companies to pay tax at 10% on the undistributed reserves of such companies which derive profit for a tax year but do not distribute cash dividend within six months of the end of the tax year or such companies which distribute dividend to such an extent that their reserves after such distribution are in excess of its paid up capital. The tax however is not applicable for Companies making distribution within six months of the end of the tax year equal to 40% of the profit after tax or 50% of the paid up capital whichever is less.

The Company has approved a dividend of Rs. 5 per share in its Annual General Meeting held on 27 October 2015. Such distribution is in excess of 40% of the profit after tax and equals 50% of the paid up capital. Since the Company meets required thresholds to qualify for exemption from paying tax on undistributed reserves, hence provision for tax on undistributed reserves has not been made in the financial statements.

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of parties related to 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 with related parties during the period other than those disclosed elsewhere in the financial statements are as follows:

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
Associated company (Frontier Paper Products (Private) Ltd.)	(Rupees in '000)	
Balance at the beginning of the period / year	10,797	40,457
Purchases during the period / year	88,447	157,904
Payments during the period / year	<u>(90,570)</u>	<u>(187,564)</u>
Balance at the end of the period / year	<u>8,674</u>	<u>10,797</u>
Outstanding Loan to Key Management personnel	<u>1,791</u>	<u>923</u>
Provident fund		
Provident Fund contribution payable	<u>2,990</u>	<u>2,361</u>



	Six months ended 31 December		Quarter ended 31 December	
	2015 (Un-audited)	2014 (Un-audited)	2015 (Un-audited)	2014 (Un-audited)
----- (Rupees in '000) -----				
Others				
Contribution to employees' provident fund	9,169	8,101	5,110	4,603
Chief Executive's remuneration	9,028	8,423	4,211	4,212
Director's remuneration and director's fee	9,063	8,463	4,226	4,252
Key management personnel remuneration (excluding Chief Executive and Directors)	103,759	81,680	56,273	47,700
Disbursement of advances to key management personnel	1,277	-	1,277	-
Repayment of advances by key management personnel	409	689	273	411

18. GENERAL

- 18.1** The Board of Directors in its meeting held on 26 February 2016 has approved an interim Cash Dividend of 50% i.e. Rs. 5 per share (December 2014: Nil).
- 18.2** This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 26 February 2016.
- 18.3** Figures have been rounded off to the nearest thousand rupees.



(MOHAMMED YASIN FECTO)
Chief Executive



(MOHAMMED ANWAR HABIB)
Director



BOOK POST

UNDER POSTAL CERTIFICATE

FECTO CEMENT LIMITED



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