



**HALF YEARLY REPORT
DECEMBER 31, 2019**



FECTO CEMENT LIMITED

Builders Of A New World

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Amir Ghani Chairman
Mr. Mohammed Yasin Fecto Chief Executive
Ms. Saira Ibrahim Bawani
Mr. Khalid Yacoob
Mr. Mohammed Anwar Habib
Mr. Jamil Ahmed Khan
Mr. Rohail Ajmal (Nominee of Saudi Pak Industrial & Agricultural Investment Co. Ltd.)

CHIEF FINANCIAL OFFICER

Mr. Abdul Samad, FCA

COMPANY SECRETARY

Mr. Abdul Wahab, FCA

LEGAL ADVISOR

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

REGISTERED OFFICE

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

MARKETING OFFICE

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

AUDIT COMMITTEE

Mr. Jamil Ahmed Khan Chairman
Mr. Rohail Ajmal
Mr. Mohammed Anwar Habib

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Jamil Ahmed Khan Chairman
Mr. Khalid Yacoob
Mr. Mohammed Anwar Habib

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants

SHARE REGISTRAR

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

FACTORY

Sangjani, Islamabad

BANKERS

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

DIRECTORS' REVIEW

Your Directors are pleased to present before you their report together with Condensed Interim Financial Statements and Auditors' Review Report thereon for the half year ended December 31, 2019.

OVERVIEW OF THE INDUSTRY

During the half year under review, overall cement dispatches witnessed growth of 6.51% as compared to same period last year. Industry achieved total sales volume of 24.75 Million tons as against 23.24 Million tons of same period last year. Local sales volume increased by 3.54% with sales volume of 20.37 Million tons as against 19.68 Million tons of same period last year. Exports, whereas, increased by 22.91% with sales volume of 4.38 Million tons as against 3.56 Million tons of same period last year.

Out of increase of 6.51% in total sales volume, plants located in north registered growth of 10.31% whereas sales volume of plants located in south reduced by 4.01%. Local sales volume of plants located in north increased by 11.65%, however, their exports reduced by 3.85%. Local sales volume of plants located in South on the other hand reduced by 27.41%, however, their exports increased by 41.87%.

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:

	Quarter ended		Half year ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
	Tons			
Production:				
Clinker	151,474	126,584	305,633	266,242
Cement	<u>182,160</u>	<u>182,225</u>	<u>332,832</u>	<u>349,240</u>
Dispatches:				
Local	155,268	170,696	279,415	320,851
Export	<u>27,890</u>	<u>13,468</u>	<u>51,878</u>	<u>29,514</u>
Total	<u>183,158</u>	<u>184,164</u>	<u>331,292</u>	<u>350,364</u>

During half year under review Production of clinker increased by 14.80% whereas in quarter under review it increased by 19.66%. Cement production, for the half year and quarter under review decreased by 4.70% and 0.04% respectively.

Total sales volume of the Company for the half year reduced by 5.44% as against increase in sales volume of 6.51% of the industry and 10.31% of plants located in North. Local sales volume of the Company for the half year and quarter reduced by 12.91% and 9.04% respectively, exports, on the other hand for the same periods increased by 75.77% and 107.08% respectively.



FINANCIAL PERFORMANCE

During the period under review, overall net sales revenue of the Company for the half year reduced to Rs. 1,915 Million as against the revenue of Rs. 2,484 Million of same period last year thus depicting a reduction of Rs. 569 Million which is 22.90%. Reduction in sales revenue to such magnitude as against reduction in sales volume of 5.44% was mainly on account of substantial depression in domestic sales prices. Local sales revenue of the Company reduced by 31.10% and recorded at Rs. 1,590 Million as against Rs. 2,305 Million of same period last year. Retention price in local market remained depressed during the half year, however, situation further aggravated in 2nd quarter of the half year under review resulting reduction in local net sale revenue for the 2nd quarter by 33.45% and reached to Rs. 849 Million as against Rs. 1,275 Million of same period last year, though volume during this period reduced by 9.04%.

Export revenue for the half year increased to Rs. 325 Million as against Rs. 179 Million of same period last year which is 81.63% higher, as against increase in volume by 75.77% during this period. Export retention prices remained higher during the half year as against same period last year, however, during 2nd quarter some pressure on prices witnessed. Main reason for such pressure was of lower retention prices in domestic market which compelled cement companies to divert their deliveries to export markets especially to Afghanistan where prices were better off as compared to domestic markets.

Cost of sales of the Company during period under review remained same as it reduced meagerly by just 0.39% and reached to Rs. 2,109 Million as against Rs. 2,117 Million of same period last year despite reduction in sales volume by 5.44%. Cost of sales for the 2nd quarter increased by 6.62% despite reduction in sales volume by 0.54%. Increase in cost of sales was mainly due to increase in fuel and power cost comprising electricity and coal. Increase in cost of electricity due to restricting Prime Minister's relief of Rs. 3 per unit for industrial consumers to only during peak hours meaning only 4 hours as against 24 hours originally approved. In addition to that, imposition of further surcharges in different categories in compliance of IMF directives also increased cost of power. Cumulative effect of these charges was of around Rs. 5.80 per unit in cost of power. Coal prices in international market though remained stable during the periods under review, however, ancillary costs, like transportation and port charges did increase resulting higher coal cost as compared to same periods last year.

Reduction in selling price in local markets coupled with increase in cost of production due to reasons elaborated hereinabove, the Company suffered gross loss of Rs. 194 Million for the half year as against gross profit of Rs. 367 Million of same period last year.

Decrease in distribution cost was due to changes in taxation regime for wholesalers and distributors. The Company suffered loss before tax of Rs. 355 Million and loss after tax of Rs. 300 Million respectively for the half year as against profit before tax of Rs. 132 Million and profit after tax of Rs. 105 Million respectively for the same period last year. During 2nd quarter, the Company suffered loss before tax of Rs. 283 Million and loss after tax of Rs. 246 Million as against profit before tax of Rs. 89 Million and profit after tax of Rs. 68 Million for the same period last year.

Company registered loss per share of Rs. 5.97 and Rs. 4.89 for the half year and 2nd quarter



respectively as against EPS of Rs. 2.10 and Rs. 1.36 per share for the same periods last year.

FUTURE PROSPECTS

Cement demand though has improved during the period under review and same pattern is being witnessed subsequent to period under review, however, pressure on price still exists hurting seriously to the profitability of the industry. Demand can further improve if Government takes practical steps to build small and mega dams and construction of affordable houses for public at large. Exports especially to Afghanistan are also expected to continue its momentum thus providing opportunity to the industry to achieve optimal utilization of its capacity. Major challenges for the industry are, however, excess capacity; slow down in economy, high interest rates and ever increasing cost of electricity.

ACKNOWLEDGMENT

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

For and on behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR

Karachi: February 27, 2020



Introduction

We have reviewed the accompanying condensed interim statement of financial position **Fecto Cement Limited** ("the Company") as at **31 December 2019** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 statements 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.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended December 31, 2019. Accordingly, we have not reviewed the figures in the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended December 31, 2019.

Conclusion

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

The engagement partner on the review resulting in this independent auditors review report is **Mr. Muhammad Waseem**.



Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

Karachi

Date: February 27, 2020

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Un-audited 31 December 2019	Audited 30 June 2019
Note	Rupees in thousand	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized Capital		
75,000,000 (June 2019: 75,000,000) ordinary shares of Rs. 10/- each	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up capital		
50,160,000 (June 2019: 50,160,000) ordinary shares of Rs. 10/- each	<u>501,600</u>	501,600
Revenue reserves		
General reserve	550,000	550,000
Accumulated profit	2,822,634	3,147,216
Surplus on revaluation of investment in unquoted shares	132,635	132,751
	<u>3,505,269</u>	<u>3,829,967</u>
	4,006,869	4,331,567
Non-current liabilities		
Lease liability	6 30,388	34,322
Deferred taxation	7 272,885	355,892
	<u>303,273</u>	<u>390,214</u>
Current liabilities		
Trade and other payables	8 635,124	320,896
Short term financing	9 125,898	-
Accrued Mark-up	681	363
Unclaimed dividend	14,588	14,501
Unpaid dividend	185	185
Current portion of lease liability	8,731	8,837
	<u>785,207</u>	<u>344,782</u>
Contingencies and commitments	10	
Total equity and liabilities	<u>5,095,349</u>	<u>5,066,563</u>
ASSETS		
Non-current assets		
Property, plant and equipment	11 1,840,953	1,946,434
Right-of-use assets	12 45,639	-
Long term investment	13 319,500	319,650
Long term deposits	6,266	6,486
Long term loans and advances	14 9,562	12,606
	<u>2,221,920</u>	<u>2,285,176</u>
Current assets		
Stores and spares	939,257	765,829
Stock-in-trade	15 1,265,465	1,258,191
Trade debts - considered good	27,705	68,006
Short term investments	16 194,513	189,436
Short term loan to related party	17 75,000	40,000
Loans, advances and prepayments	18 55,639	106,545
Taxation - net	197,941	189,025
Cash and bank balances	117,909	164,355
	<u>2,873,429</u>	<u>2,781,387</u>
Total assets	<u>5,095,349</u>	<u>5,066,563</u>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.




MOHAMMED YASIN FECTO
CHIEF EXECUTIVE


ROHAIL AJMAL
DIRECTOR


ABDUL SAMAD
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

	Note	Six months ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
— Rupees in thousand —					
Turnover - net	19	1,914,920	2,483,604	1,017,184	1,359,774
Cost of sales	20	(2,108,831)	(2,117,013)	(1,221,950)	(1,146,101)
Gross (loss) / profit		(193,911)	366,591	(204,766)	213,673
Administrative expenses		(121,461)	(143,800)	(59,563)	(75,071)
Distribution cost		(62,561)	(102,381)	(29,057)	(54,737)
Finance cost		(4,478)	(2,137)	(2,364)	(1,095)
Other income		27,252	24,052	12,906	13,674
		(161,248)	(224,266)	(78,078)	(117,229)
		(355,159)	142,325	(282,844)	96,444
Worker's funds		-	(10,318)	-	(7,153)
(Loss) / profit before taxation		(355,159)	132,007	(282,844)	89,291
Provision for taxation					
- Current		(27,316)	(47,927)	(14,471)	(30,159)
- Deferred		82,973	21,267	51,531	9,264
		55,657	(26,660)	37,060	(20,895)
(Loss) / profit after taxation		(299,502)	105,347	(245,784)	68,396
————— Rupees —————					
(Loss) / earnings per share - basic and diluted		(5.97)	2.10	(4.89)	1.36

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


MOHAMMED YASIN FECTO
CHIEF EXECUTIVE


ROHAIL AJMAL
DIRECTOR


ABDUL SAMAD
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

Note	Six months ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	— Rupees in thousand —			
(Loss) / profit after taxation	(299,502)	105,347	(245,784)	68,396
Other comprehensive (loss) / income				
Items which will not be reclassified subsequently to profit or loss				
Unrealized (loss)/gain on remeasurement of equity instrument at fair value through other comprehensive income	(150)	-	1,650	-
Related deferred tax charge	34 (116)	-	(358) 1,292	-
Total comprehensive (loss) / income for the period	(299,618)	105,347	(244,492)	68,396

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


MOHAMMED YASIN FECTO
CHIEF EXECUTIVE


ROHAIL AJMAL
DIRECTOR


ABDUL SAMAD
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

	Share Capital Issued, Subscribed & Paid up	Revenue Reserves			Total
		General Reserve	Accumulated Profit	Surplus on revaluation of investment in unquoted shares	
Rupees in thousand					
Balance as at July 01, 2018	501,600	550,000	3,158,561	-	4,210,161
Total comprehensive income for the six-months period ended 31 December 2018			105,347	-	105,347
Transaction with owners					
Final cash dividend @ 20% for the year ended June 30, 2018			(100,320)	-	(100,320)
Balance as at 31 December 2018	<u>501,600</u>	<u>550,000</u>	<u>3,163,588</u>	<u>-</u>	<u>4,215,188</u>
Balance as at 01 July 2019	501,600	550,000	3,147,216	132,751	4,331,567
Total comprehensive income for the six-month period ended 31 December 2019					
Loss after taxation	-	-	(299,502)	-	(299,502)
Other comprehensive loss	-	-	-	(116)	(116)
	-	-	(299,502)	(116)	(299,618)
Transaction with owners					
Final cash dividend @ 5% for the year ended 30 June 2019			(25,080)	-	(25,080)
Balance as at 31 December 2019	<u>501,600</u>	<u>550,000</u>	<u>2,822,634</u>	<u>132,635</u>	<u>4,006,869</u>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

Note	Six months ended	
	31 December 2019	31 December 2018
	Rupees in thousand	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(355,159)	132,007
Adjustments for:		
- Depreciation	59,465	59,537
- Interest income	(21,368)	-
- Unrealized gain on remeasurement of short term investments	(3,562)	(2,626)
- Dividend income	(1,789)	-
- Finance costs	4,478	2,137
	<u>37,224</u>	<u>59,048</u>
Operating (loss) / profit before working capital changes	(317,935)	191,055
Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(173,651)	(105,189)
- Stock-in-trade	(7,274)	103,057
- Trade debtors - considered good	40,301	6,053
- Loans, advances, deposits, prepayments and accrued markup	50,906	(16,651)
Increase / (decrease) in current liabilities		
- Trade and other payables	314,228	(93,570)
Cash (used in) / generated from operations	(93,425)	84,755
Finance cost paid	(4,160)	(2,099)
Taxes paid	(36,232)	(60,562)
Long term deposits	220	(7)
Long term loans and advances	3,044	3,101
Net cash (used) in / generated from operating activities	(130,553)	25,188
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(17,276)
Short term investments redeemed	10	10
Short term investments made	(1,525)	-
Loan to related party	(35,000)	-
Interest income	21,368	-
Dividend received	1,789	-
Proceeds from sale of operating fixed assets	600	-
Net cash used in investing activities	(12,758)	(17,266)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment of finance lease	(4,040)	(1,725)
Short term running finance obtained	125,898	-
Dividend paid	(24,993)	(115,259)
Net cash generated from / (used) in financing activities	96,865	(116,984)
Net (decrease) in cash and cash equivalents	(46,446)	(109,062)
Cash and cash equivalents at the beginning of the period	164,355	472,804
Cash and cash equivalents at the end of the period	117,909	363,742

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.




MOHAMMED YASIN FECTO
CHIEF EXECUTIVE


ROHAIL AJMAL
DIRECTOR


ABDUL SAMAD
CHIEF FINANCIAL OFFICER

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2019.

The comparative figures presented in these condensed interim financial statements as at 31 December 2019 has been extracted from the audited financial statements of the Company for the year ended 30 June 2019, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows are extracted from the unaudited condensed interim financial statements for the six months period ended 31 December 2018.

These condensed interim financial statements are unaudited and are being submitted to the members of the Company as required under section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited as required by the Code of Corporate Governance.



2.2 Changes in accounting standards, interpretations and announcement

- a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 16 "Leases" replaces the previous lease standard "Leases". It will result in almost all leases being recognised in the statement of financial position as the distinction between finance lease and operating lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exception are short term and low value leases.

The changes laid down by this Standard have been disclosed in Note 3 of these condensed interim financial statements.

- b) Standards, interpretations and amendments to published approved accounting standards that are effective but not yet relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2019 are not considered to be relevant for the condensed interim financial statements and hence have not been detailed here.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees which is the Company's functional currency and rounded off to the nearest rupee.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2019.

3.1 Change in accounting policy - Initial application of IFRS 16 'Leases'

An overview of the new lease accounting requirements for lessees

With effect from 01 July 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the



lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

Operating lease

The Company has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as operating leases under IAS 17) by following the cumulative catch-up transition method. However, since the lease term ends within 12 months of the date of initial application of IFRS 16, the Company has elected to apply the practical expedient in paragraph C10 (c) of IFRS 16 and, accordingly, has accounted for its operating lease as a short term lease.

Finance lease

The Company has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as finance leases under IAS 17) by following the cumulative catch-up transition method. Accordingly the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 (i.e. 1 July 2019) were measured at the carrying amount of the finance lease asset and finance lease obligation reported as on 30 June 2019.

Accounting policy with respect to subsequent measurement of the right-of-use asset and the corresponding lease liability.

Right -of-use asset

After the commencement date, the Company measures the right-of-use asset applying a



cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability
- b) reducing the carrying amount to reflect the lease payments made;and
- c) remeasuring the carrying amount to reflect any reassessment or modification or to reflect revised in substance fixed lease payments.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended June 30, 2019.

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 2019.



	31 December 2019	30 June 2019
Note	Rupees in thousand	
6. LEASE LIABILITY		
Opening balance	43,159	18,403
Leases obtained during the period	-	29,474
Payments made during the period	<u>(4,040)</u>	<u>(4,718)</u>
	39,119	43,159
Less: Current maturity shown under current liabilities	<u>(8,731)</u>	<u>(8,837)</u>
Closing balance	<u><u>30,388</u></u>	<u><u>34,322</u></u>
7. DEFERRED TAXATION		
Taxable temporary differences arising in respect of :		
- Accelerated tax depreciation	283,298	322,232
- Unrealized gain on long term investment	36,865	36,899
- Unrealized gain on short term investment	904	52
- Lease liability net of leased asset	1,573	2,123
Deductible temporary difference arising in respect of :		
- Provision against slow moving and obsolete spares	(3,620)	(3,978)
- Provision for bad debts	(255)	(1,436)
- Taxable losses	<u>(45,880)</u>	<u>-</u>
	<u><u>272,885</u></u>	<u><u>355,892</u></u>
8. TRADE AND OTHER PAYABLES		
Creditors for Goods:		
- Other creditors	291,337	34,948
- Associated company	<u>59,383</u>	<u>16,216</u>
	350,720	51,164
Accrued expenses	90,731	98,769
Provision for compensated absences	27,954	25,192
Payable to provident fund	4,162	4,093
Workers' Profit Participation Fund	7,087	7,087
Workers' Welfare Fund	43,284	43,282
Advances from customers- unsecured	41,207	51,641
Security deposits payable	10,347	10,297
Excise duty payable	11,834	5,779
Sales tax payable	26,177	1,411
Withholding income tax	3,820	3,231
Other liabilities	<u>17,801</u>	<u>18,950</u>
	<u><u>635,124</u></u>	<u><u>320,896</u></u>



9. SHORT TERM FINANCING

This represents short term running finance facility obtained from National Bank of Pakistan for the purpose of working capital requirements amounting to Rs. 300 million (30 June 2019: Rs. 300 million) out of which unavailed as at 31 December 2019 amounting to Rs. 175 million (30 June 2019: Rs 300 million). The facility carries markup at the rate of 3 month kibar + 1.25% (30 June 2019: 3 month kibar + 1.25%) and is secured by 1st pari passu charge by way of the hypothecation on company's assets.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There were no change in the status of contingencies at the period end as disclosed in the annual audited financial statements for the year ended 30 June 2019.

10.2 Commitments

Commitments in respect of outstanding letters of credit for the import of coal and bearings as at 31 December 2019 amounted to Rs. 13.741 million. (30 June 2019: Rs. 121.015 million)

	31 December 2019	30 June 2019
	Rupees in thousand	

11. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	1,648,294	1,753,998
Capital spares	192,659	192,436
	<u>1,840,953</u>	<u>1,946,434</u>

12. RIGHT-OF-USE ASSETS

Cost	61,393	-
Depreciation charged during the period	(15,754)	-
	<u>45,639</u>	<u>-</u>

This represents the Company's right to use the vehicles obtained under lease agreements. The principal terms and conditions of these lease arrangements are as follows:

Lessor name	Vehicles		
	Askari Bank Limited		
Lease case number	121710500008	121810500014	121902500027
Lease commencement date	6-Nov-17	3-Dec-18	12-Apr-19
Initial lease term	5 years	5 years	5 years
Number of assets taken on lease	5 years	5 years	5 years



The lease term used in the measurement of the right-of-use asset and the related lease liability has been restricted to the aforementioned initial lease term since the Company, after giving due consideration to the factors that might create an economic incentive for the Company to extend the leases, has concluded that, at the lease commencement date, it was not reasonably certain to exercise the said extension options.

31 December **30 June**
2019 **2019**
————— **Rupees in thousand** —————

13. LONG TERM INVESTMENT

At fair value through other comprehensive income

Investment in ordinary shares of Frontier Paper Products (Private) Limited

Cost of acquisition	150,000	150,000
Unrealized gain on remeasurement to fair value	169,500	169,650
	<u>319,500</u>	<u>319,650</u>

- 13.1.** During the year ended 30 June 2019, the Company had made an investment in 15 million unquoted ordinary shares of M/s. Frontier Papers Products (Private) Limited (FPPL), its associated company in terms of section 2(4) of the Companies Act, 2017, at a par value of Rs. 10 each. This investment gives the Company 49.21% voting power in FPPL. However, since Mr.Yasin Fecto holds the remaining voting power (i.e. 50.79%) in FPPL and also exercises control over the Company (by virtue of his 75.11% shareholding in the Company), the Company has designated the investment as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company under the International Financial Reporting Standard (IFRS) 9 Financial Instruments.
- 13.2.** As of 31 December 2019, the management carried out a valuation of the Company's investment in ordinary shares of FPPL based on the Discounted Free Cash Flow to Equity method of business valuation. According to such exercise, the value of a share of FPPL was determined to be Rs. 21.30 (30 June 2019: Rs 21.31)
- 13.3.** In accordance with IFRS 9, the Company has elected to designate the investment at fair value through other comprehensive income since it is in the nature of a long-term strategic investment made with a view to further strengthen the existing customer-supplier relationship with FPPL as well as to increase its capital base.



	Note	31 December 2019	30 June 2019
Rupees in thousand			
14. LONG TERM LOANS AND ADVANCES			
Long term loan - unsecured considered good			
Employees - interest free		3,020	3,020
Executive - interest free	14.1	829	285
Advances to dealers - secured considered goods	14.2	13,550	14,425
		17,399	17,730
less: Current portion		(7,837)	(5,124)
		9,562	12,606

14.1 The loan to executives and employees are in accordance with the terms of their employment.

14.2 These represent advances provided to major cement dealers for onward supply of cement and is secured against truck ownership documents. The advances have not been discounted to their present value as the financial effect of doing so is regarded as immaterial.

	Note	31 December 2019	30 June 2019
Rupees in thousand			
15. STOCK IN TRADE			
Finished goods		42,323	36,507
Work in process		222,875	266,851
Raw material		966,468	933,625
Packing material		33,799	21,208
		1,265,465	1,258,191

16. SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss-

Units of open-end mutual funds		89,466	89,258
Opening investment		1,525	-
Dividend reinvestment		3,562	208
Unrealised gain on remeasurement	16.1	94,553	89,466
		99,960	99,970
Privately placed term finance certificates	16.2	194,513	189,436



16.1 Investment at fair value through profit and loss account

31 December 2019	30 June 2019	Fund name	31 December 2019		30 June 2019	
			Cost	Market value	Cost	Market value
----- Number of units -----			----- Rupees in thousand -----			
5,409,527	5,409,527	NAFA Income Opportunity Fund	57,842	61,454	57,842	58,046
		UBL Al-ameen Islamic Cash Fund (AICF)	32,969	33,099	31,416	31,420
328,647	313,400		<u>90,811</u>	<u>94,553</u>	<u>89,258</u>	<u>89,466</u>

31 December
2019
----- Rupees in thousand -----
30 June
2019

16.1.1 Unrealised gain / (loss) on the revaluation of investment

Cumulative gain / (loss) at the beginning of the period	208	3,791
Net gain / (loss) for the period	<u>3,354</u>	<u>(3,583)</u>
Cumulative gain at the end of the period	<u>3,562</u>	<u>208</u>

16.2 These represents investment in Term Finance Certificate (TFCs) issued by Silk Bank Limited carrying markup rate of 6 months KIBOR plus 1.85% (30 June 2019: 6 month KIBOR plus 1.85%) and are unsecured. Repayments including principal and markup, are made semi annually.

17. SHORT TERM LOAN TO RELATED PARTY

During the reporting period the company renewed the financing arrangement with its related party M/s Frontier Paper Products (Private) Limited through an addendum agreement by which the said facility has been extended for one year expiring on 30 June 2020.

31 December
2019
----- Rupees in thousand -----
30 June
2019

18. LOANS, ADVANCES AND PREPAYMENTS

Current portion of long term loans - unsecured, considered good	7,837	5,124
Advances to suppliers and contractors - unsecured, considered good	20,049	10,171
Margin against bank guarantee	11,000	11,000
Advance sales tax and FED	11,368	78,080
Prepayments	<u>5,385</u>	<u>2,170</u>
	<u>55,639</u>	<u>106,545</u>



	Six months ended		Second Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Rupees in thousand			
19. TURNOVER - NET				
Sales - Local	2,614,150	3,327,542	1,411,514	1,825,690
Less: Trade Discount	(39,954)	(17,844)	(22,605)	(9,504)
Excise duty	(558,829)	(481,276)	(310,536)	(256,044)
Sales tax	(425,734)	(523,909)	(229,829)	(284,995)
	<u>(1,024,517)</u>	<u>(1,023,029)</u>	<u>(562,970)</u>	<u>(550,543)</u>
	1,589,633	2,304,513	848,544	1,275,147
Sales export	320,432	175,785	165,898	82,792
Export rebate	4,855	3,306	2,742	1,835
	<u>325,287</u>	<u>179,091</u>	<u>168,640</u>	<u>84,627</u>
	<u>1,914,920</u>	<u>2,483,604</u>	<u>1,017,184</u>	<u>1,359,774</u>

	Six months ended		Second Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Rupees in thousand			
20. COST OF SALES				
Raw and packing material consumed:				
Opening stock	954,833	846,140	956,481	871,477
Purchases	380,548	477,576	223,993	279,679
	<u>1,335,381</u>	<u>1,323,716</u>	<u>1,180,474</u>	<u>1,151,156</u>
Closing stock	(1,000,267)	(980,104)	(1,000,267)	(980,104)
	335,114	343,612	180,207	171,052
Fuel and power	1,402,485	1,136,970	736,184	551,488
Stores and spares consumed	51,843	75,441	28,434	29,764
Salaries, wages and benefits	191,631	236,140	94,317	124,252
Insurance	13,364	12,905	6,682	6,453
Repairs and maintenance	1,885	2,344	402	1,671
Depreciation	40,619	40,476	20,213	20,256
Vehicle running expenses	18,160	17,073	8,741	8,563
Other manufacturing overheads	15,570	15,031	6,069	7,663
	<u>2,070,671</u>	<u>1,879,992</u>	<u>1,081,249</u>	<u>921,162</u>
Opening work in process	266,851	441,613	345,188	418,887
Closing work in process	(222,875)	(202,314)	(222,875)	(202,314)
	2,114,647	2,119,291	1,203,562	1,137,735
Opening stock of finished goods	36,507	41,288	60,711	51,932
Closing stock of finished goods	(42,323)	(43,566)	(42,323)	(43,566)
	<u>2,108,831</u>	<u>2,117,013</u>	<u>1,221,950</u>	<u>1,146,101</u>



21. TRANSACTIONS / BALANCES WITH RELATED PARTIES

The related parties of the Company comprise of group companies (associated companies), directors, key management personnel, major shareholders and their close family members and the staff provident fund. 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 this condensed interim financial statements, are as follows:

	31 December 2019	30 June 2019
	Rupees in thousand	
Associated company - M/s. Frontier Paper Products (Private) Limited		
Balance as at the beginning of the period / year	16,217	7,371
Purchases during the period / year	216,638	483,413
Payments during the period / year	(173,472)	(474,567)
Balance at the end of the period / year	<u>59,383</u>	<u>16,217</u>
Loan outstanding at the end of the period / year	<u>75,000</u>	<u>40,000</u>
Interest charged during the period / year	<u>5,877</u>	<u>1,952</u>
Interest outstanding at the end of the period / year	<u>2,943</u>	<u>995</u>
	Six months ended	
	31 December 2019	31 December 2018
	Rupees in thousand	
Key Management Personnel Transactions during the period		
Remuneration of the Chief Executive	18,000	21,640
Directors' meeting fee	65	75
Remuneration of executives	81,750	96,524
Loans settled	25	30
	31 December 2019	30 June 2019
	Rupees in thousand	
Outstanding balance at period / year ended		
Loan receivable	<u>260</u>	<u>285</u>



	<u>Six months ended</u>	
	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>Rupees in thousand</u>	
Others		
Transactions during the period		
Contribution to employees' provident fund	<u>10,704</u>	<u>11,050</u>
	31 December 2019	30 June 2019
	<u>Rupees in thousand</u>	
Outstanding balance at period / year		
Provident fund contribution payable	21.1 <u>4,162</u>	<u>4,093</u>

21.1 The investments out of provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

22. EVENTS AFTER REPORTING DATE

The board of directors in their meeting held on 21 December, 2019 approved formation of wholly owned subsidiary "Fecto Cement Nooriabad (Private) Limited" which was incorporated after balance sheet date on 29 January 2020. The registered office of the subsidiary is situated at 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi, Sindh. The principal activity of the subsidiary is production and sale of Portland Cement.

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation.

24. GENERAL

24.1 These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on February 27, 2020

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



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE



ROHAIL AJMAL
DIRECTOR



ABDUL SAMAD
CHIEF FINANCIAL OFFICER



پورٹ سے فیکٹری منتقلی اور پورٹ کے اخراجات کے سلسلے میں تھیں ان میں اضافہ ہوا۔

مقامی سطح پر سینٹ کی قیمتوں میں کمی اور لاگت میں اضافے جن کی وجوہات کو اوپر بیان کیا گیا ہے کی وجہ سے کمپنی کو دورانِ شش ماہی 194 ملین روپے کا خام نقصان ہوا۔ جب کہ گزشتہ سال اسی عرصے کے دوران خام منافع 367 ملین روپے تھا۔

تمولی اخراجات میں کمی کی وجہ ڈسٹری بیوٹرز اور ہول سلرز کی ٹیکس کے معاملات میں تبدیلی کی وجہ سے ہے۔ کمپنی کو قبل از ٹیکس اور بعد از ٹیکس دورانِ شش ماہی میں بالترتیب 355 ملین روپے اور 300 ملین روپے کا خالص نقصان ہوا۔ جب کہ گزشتہ سال اسی عرصے کے دوران کمپنی کو قبل از ٹیکس اور بعد از ٹیکس دورانِ شش ماہی 132 ملین اور 105 ملین روپے کا منافع ہوا تھا۔ دوسری سہ ماہی میں کمپنی کو قبل از ٹیکس اور بعد از ٹیکس بالترتیب 283 ملین روپے اور 246 ملین روپے کا خالص نقصان ہوا۔ جب کہ گزشتہ سال اسی عرصے کے دوران کمپنی کو قبل از ٹیکس اور بعد از ٹیکس 89 ملین اور 68 ملین روپے کا منافع ہوا تھا۔

شش ماہی میں نقصان فی حصص 5.97 روپے جبکہ سہ ماہی میں نقصان فی حصص 4.89 روپے رہی۔ جب کہ گزشتہ سال اسی عرصے کے دوران آمدن فی حصص بالترتیب 2.10 روپے اور 1.36 روپے تھی۔

مستقبل پر نظر

زیر نظر دورانیے میں اور اس کے بعد بھی اگر چہ سینٹ کی مانگ میں اضافہ ہوا ہے لیکن قیمتوں میں کمی کا دباؤ ابھی تک موجود ہے، جو کہ صنعت کو نقصان پہنچا رہا ہے، مانگ میں مزید اضافہ ہو سکتا ہے اگر حکومت ڈیموں اور سستے مکانات کی تعمیر کے لیے سنجیدہ اقدامات کرے۔ برآمدات خصوصاً افغانستان کو کی جانے والی برآمدات میں ہونے والا اضافہ بھی اپنا تسلسل برقرار رکھ سکتا ہے جو کہ صنعت کو اپنی پیداواری قوت کو زیادہ سے زیادہ استعمال میں لانے میں مددگار ہو سکتا ہے۔ صنعت کو اس وقت بنیادی طور پر دو چیلنجز کا سامنا ہے جس میں سے ایک صنعت کی پیداواری صلاحیت میں مانگ کے مقابلے میں بہت زیادہ اضافہ اور دوسرا بجلی کی قیمتوں میں مستقل اضافہ ہے یہ دونوں وجوہات سینٹ صنعت کو بری طرح متاثر کر رہی ہیں۔

اظہار تشکر

ڈائریکٹرز کمپنی کے تمام مالیاتی اداروں، بینکوں اور صارفین کا کمپنی کے لیے ان کی مسلسل حمایت، تعاون اور کمپنی کے ملازمین کا خلوص نیت سے کام کرنے پر تہ دل سے مشکور ہیں۔

منجانب بورڈ



روحیل اجمل
ڈائریکٹر



محمد یوسف فیکری
چیف ایگزیکٹو

بمقام کراچی: 27 فروری 2020



ڈائریکٹرز جائزہ

آپ کی کمپنی کے ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کے غیر آڈٹ شدہ مالیاتی نتائج بابت شش ماہی 31 دسمبر 2019 بمع آڈیٹرز جائزہ رپورٹ آپ کی خدمت میں پیش کر رہے ہیں۔

جائزہ

دوران شش ماہی سیمنٹ کی صنعت میں مجموعی فروختگی 24.75 ملین ٹن کے اعتبار سے مجموعی طور پر مال کی روانگی میں 6.51 فیصد کی شرح نمو ریکارڈ کی گئی جبکہ گزشتہ سال اسی عرصے کے دوران مجموعی فروختگی کا حجم 23.24 ملین ٹن تھا۔ مقامی سطح پر صنعت میں فروختگی کا حجم 20.37 ملین ٹن رہا اور اس اعتبار سے 3.54 فیصد کا اضافہ دیکھا گیا جبکہ گزشتہ سال اسی عرصے کے دوران مقامی فروختگی کا حجم 19.68 ملین ٹن تھا، اس کے برعکس برآمدات کی مد میں صنعت کی سطح پر فروختگی کا مجموعی حجم 4.38 ملین ٹن رہا جس کے اعتبار سے 22.91 فیصد کا اضافہ ریکارڈ کیا گیا۔ جبکہ گزشتہ سال اسی عرصے کے دوران برآمدات کی مد میں فروختگی کا یہ حجم 3.56 ملین ٹن تھا۔

مجموعی طور پر 6.51 فیصد کے اضافے میں سے شمال میں واقع فیکٹریوں کی مجموعی فروختگی میں 10.31 فیصد کا اضافہ جب کہ جنوب میں لگی ہوئی فیکٹریوں کی مجموعی فروختگی میں 4.01 فیصد کی کمی ریکارڈ کی گئی۔ شمال میں واقع فیکٹریوں کی مقامی سطح پر فروختگی میں 11.65 فیصد کا اضافہ جب کہ برآمدات میں 3.85 فیصد کی کمی دیکھی گئی۔ جنوب میں لگی ہوئی فیکٹریوں کی مقامی سطح پر فروختگی میں 27.41 فیصد کی کمی اور برآمدات میں 41.87 فیصد کا اضافہ ریکارڈ کیا گیا۔

کارکردگی بر مبنی کاروباری افعال

زیر نظر دورانیے کے دوران کمپنی کی جانب سے پیداوار اور مال کی روانگی کا جائزہ ذیل میں پیش خدمت ہے۔

ٹنوں میں

شش ماہی (دسمبر 31)		سہ ماہی (دسمبر 31)		تفصیلات
2019	2018	2019	2018	
				پیداوار
305,633	266,242	151,474	126,584	کلنکر
332,832	349,240	182,160	182,225	سیمنٹ
				ترسیل
279,415	320,851	155,268	170,696	مقامی
51,878	29,514	27,890	13,468	برآمدات
331,292	350,364	183,158	184,164	مجموعی

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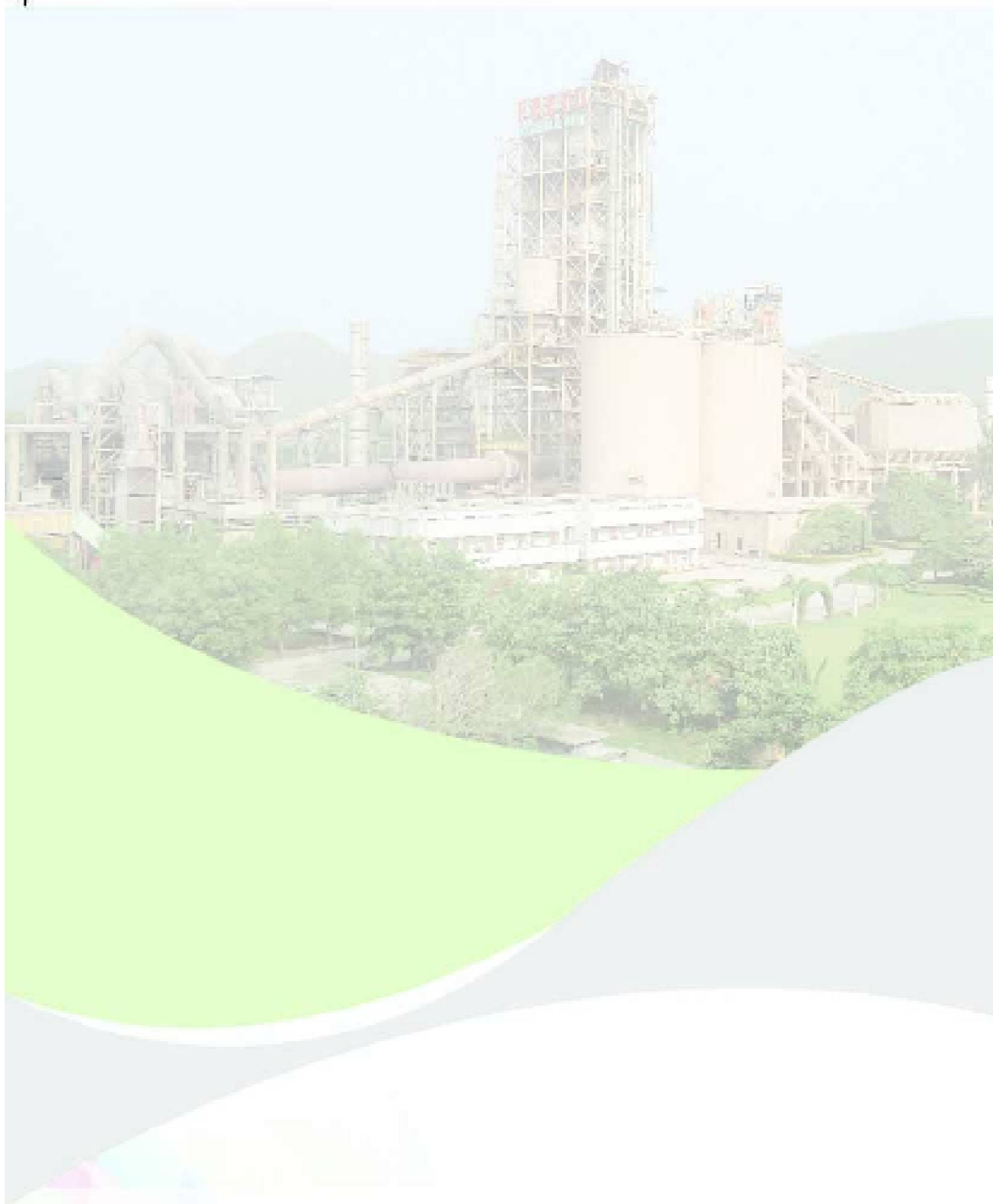
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