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# ANNUAL REPORT 2017

# FAUJI CEMENT COMPANY LIMITED

CEMENTING THE NATION

# Contents

# Company Information

## Board of Directors

| | |
|---|---|
| Lt Gen Khalid Nawaz Khan (Retd),HI(M),Sitara-i-Eisaar | **Chairman** |
| Lt Gen Muhammad Ahsan Mahmood (Retd),HI(M) | **Chief Executive / MD** |
| Mr. Qaiser Javed | **Director** |
| Dr. Nadeem Inayat | **Director** |
| Maj Gen Tahir Ashraf Khan (Retd),HI(M) | **Director** |
| Maj Gen Wasim Sadiq (Retd),HI(M) | **Director** |
| Brig Raashid Wali Janjua (Retd),SI(M) | **Director** |
| Brig Asmat Ullah Khan Niazi (Retd),SI(M) | **Executive Director (Plant)** |
| Mr. Pervez Inam | **Independent Director** |
| Mr. Jawaid Iqbal | **Independent Director** |

## Company Secretary

Brig Ch Zafar Iqbal (Retd)
Fauji Tower,Block III, 68 Tipu Road,
Chaklala, Rawalpindi
Tel: +092-051-9280075
Fax: +092-051- 9280416
E-mail: secretary1@fccl.com.pk

## Chief Financial Officer

Mr. Omer Ashraf
Tel: +092-051- 5500157
E-mail: omer@fccl.com.pk

## Auditors

M/s KPMG Taseer Hadi & Co,
Chartered Accountants
6th Floor, State Life Building No. 5,
Jinnah Avenue, Blue Area,
P.O. Box 1323, Islamabad Pakistan
Tel:+092-051-282-3558

## Legal Advisors

M/s ORR Dignam & Co, Advocates
Marina Height ,2nd Floor 109 East
Jinnah Avenue, Islamabad
Tel: (051-2260517-8

## Shares Registrar

M/s Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel: +092-042-35916714-19 & 35869037
Email: corplink786@yahoo.com,

## Sale & Marketing Department

Brig Khizer Sultan Raja (Retd) SI(M)
GM (Sales and Marketing)
Ist Floor, Aslam Plaza, 60 Adamjee
Road, Saddar, Rawalpindi-Pakistan
Tel: (051) 5523836, Tel: (051) 5528042, 5528960,
Tel: (051) 5528963-64, Fax: (051) 5528965-66
Email:khizer@fccl.com.pk

## Audit Committee

Mr. Qaiser Javed, (President)
Dr. Nadeem Inayat, (Member)
Maj Gen Wasim Sadiq (Retd),HI(M), (Member)
Mr. Pervez Inam, (Member)
Brig Ch Zafar Iqbal (Retd), (Secretary)

## Technical Committee

Brig Raashid Wali Janjua (Retd),SI(M), (President)
Maj Gen Tahir Ashraf Khan (Retd),HI(M), (Member)
Maj Gen Wasim Sadiq (Retd),HI(M), (Member)
Brig Asmat Ullah Khan Niazi (Retd),SI(M), (Secretary)

## Human Resource & Remuneration Committee

Maj Gen Tahir Ashraf Khan (Retd),HI(M), (President)
Dr. Nadeem Inayat (Member)
Brig Asmat Ullah Khan Niazi (Retd),SI(M), (Member)
Brig Ch. Zafar Iqbal (Retd), (Secretary)

## Factory

Near Village Jhang Bahtar, Tehsil Fateh Jang,
District Attock
Tel : 0572-538047-48
:0572- 2538138
Fax: 0572-538025

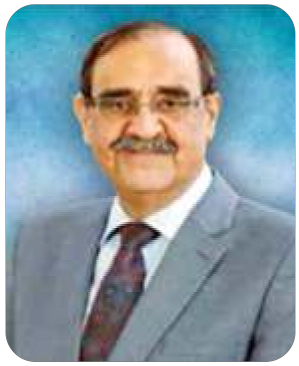
## Company Website

http://www.fccl.com.pk

## Registered Office

**Fauji Cement Company Limited**
Fauji Tower, Block III, 68 Tipu Road,
Chaklala, Rawalpindi
Tel : 051-9280081-83,
: 051-5763321-24
: 051-5500159,
Fax : 051-9280416

# Board of Directors



Lt Gen Khalid Nawaz Khan (Retd), HI(M)
**Sitara-i-Esar, Chairman**

Lt Gen Muhammad Ahsan Mahmood (Retd),HI(M)
**Chief Executive / MD**

Mr. Qaiser Javed

Dr. Nadeem Inayat

Maj Gen Tahir Ashraf Khan (Retd),HI(M)

Maj Gen Wasim Sadiq (Retd),HI(M)

Brig Raashid Wali Janjua (Retd),SI(M)

Brig Asmat Ullah Khan Niazi (Retd), SI(M)
**Executive Director (Plant)**

Mr. Pervez Inam
**Independent Director**

Mr. Jawaid Iqbal
**Independent Director**

Brig Ch. Zafar Iqbal (Retd)
**Company Secretary**

# Key Management

Mr. Muhammad Tariq
**Sr. GM (Plant)**

Mr. Omer Ashraf
**Chief Financial Officer**

Brig Parvez Iqbal Malik (Retd),SI(M)
**GM (Procurement and Human Resource)**

Brig Khizer Sultan Raja (Retd), SI(M)
**GM (Sales and Marketing)**

# Vision, Mission & Core Values

## Our Vision

To be a role model cement manufacturing company, benefitting all stakeholders and fulfilling Corporate Social Responsibilities while enjoying public respect and goodwill.

## Our Mission

FCCL while maintaining its leading position in quality of cement maximizes profitability through reduced cost of production and enhanced share in domestic and international markets.

## Core Values

### Financial Responsibility

We are prudent and effective in the use of the resources entrusted to us.

### Citizenship

We support the communities where we do business, hold ourselves to the highest standards of ethical conduct and environment responsibility and communicate openly with FCCL people and the resources entrusted to us.

### Accountability

We expect superior performance and results. Our leaders set clear goals and expectations, are supportive and provide and seek frequent feedback.

### People

Our success depends upon high performing people working together in a safe and healthy work place where diversity, development and team work are valued and recognized.

### Customers

We listen to our customers and improve our product to meet their present and future needs.

# Company Profile

FCCL Plant located at Jhang Bahtar, District Attock, is a leading producer of Pakistan Cement Industry and a major concern of Fauji Foundation. Incorporated as a Public Limited Company, it started its operations in 1997 on commissioning of 3150 TPD F.L. Smidth Plant of **Denmark**. Subsequently in 2005, the Plant capacity was enhanced to 3,885 TPD.

To cater for the expanding demand of Fauji Cement a new line of 7560 TPD was erected and its production started on 30th May 2011. The plant is equipped with latest / state of art equipment and is also the first German Plant of Pakistan Cement Industry. The Portland Cement produced at this plant is the finest in the Country. Major equipment suppliers were:-

a. **TKIS (Thyssen Krupp Industrial Solutions) Germany**

b. **LOESCHE GmBH Germany (Vertical Cement Mills)**

c. **Havor & Boecker Germany (Packing Plant)**

d. **ABB Switzerland (Electrical Equipment and PLC)**

In pursuance of its commitment to **ENVIRONMENT**, the Company installed in 2009 first ever Refuse Derived Fuel (RDF) Processing Plant at a cost of Rs. 320 Million. It has not only provided economical fuel but demonstrated a better way of disposing Municipal Waste. In addition, this milestone achievement has shown the entire industrial sector the future path to follow.

FCCL Management has installed 10 MW Waste Heat Recovery Power Plant (WHRPP) with a concept to convert Waste Heat into energy to promote sustainable environment and reduce load on National Grid. The contract for Engineering and Equipment was awarded to M/s Sinoma Engineering (Energy Conservation Company from China), where as construction, erection and commissioning contract was given to M/s Eitemaad Engineering. WHRPP was formally inaugurated on 14th May 2015.

FCCL is an ISO 9001:2008 and ISO 14001:2004 Certified Company with a total capacity of 11,445 TPD and a strong and longstanding tradition of service, reliability and quality.

# Operating Highlights

| | % | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|
| **(Rs in Millions)** | | | | | | | |
| Gross Profit Margin | % | 21.73 | 45.72 | 37.69 | 34.70 | 31.82 | 26.63 |
| Operating Profit Margin | % | 18.50 | 41.58 | 34.25 | 31.67 | 28.79 | 24.23 |
| Pre Tax Margin | % | 19.24 | 39.07 | 30.47 | 25.72 | 19.32 | 8.39 |
| After Tax Margin | % | 12.80 | 26.78 | 22.08 | 14.98 | 13.13 | 4.80 |
| **Performance** | | | | | | | |
| Return on Total Assets | % | 9.42 | 18.28 | 13.48 | 8.94 | 6.92 | 1.80 |
| Total Assets Turnover | Times | 0.74 | 0.68 | 0.61 | 0.60 | 0.53 | 0.38 |
| Fixed Assets Turnover | Times | 0.92 | 0.92 | 0.78 | 0.73 | 0.65 | 0.44 |
| Return on Paid up Share Capital | % | 18.94 | 38.90 | - | 19.03 | 15.2 | 4.00 |
| **Leverage** | | | | | | | |
| Debt Equity Ratio | Times | 0.07 | 0.18 | 0.27 | 0.33 | 0.40 | 0.47 |
| Current Ratio | Times | 2.12 | 1.51 | 1.36 | 1.16 | 1.14 | 0.76 |
| Quick Ratio | Times | 1.72 | 1.40 | 1.17 | 0.84 | 0.92 | 0.58 |
| **Valuation** | | | | | | | |
| Earnings Per Share (basic) | Rs | 1.89 | 3.98 | 2.91 | 1.80 | 1.42 | 0.29 |
| Breakup Value Per Share (basic) | Rs | 14.26 | 13.36 | 13.09 | 11.86 | 11.97 | 10.44 |
| Breakup Value Per Share (diluted) | Rs | NA | NA | 12.62 | 11.44 | 11.55 | 10.08 |
| Dividend Per Share | Rs | - | 1.75 | 1.00 | 0.75 | 1.25 | - |
| Dividend Payout Ratio | % | - | 43.97 | 34.36 | 41.67 | 88.00 | - |
| Market Price Per Share (average) | Rs | 41.22 | 36.76 | 26.46 | 15.41 | 7.9 | 4.53 |
| **Historical Trends** | | | | | | | |
| **Trading Results** | | | | | | | |
| Sales-Net | Rs in 000 | 20,423,356 | 20,044,438 | 18,642,358 | 17,532,277 | 15,967,900 | 11,523,050 |
| Gross Profit | Rs in 000 | 4,437,677 | 9,165,282 | 7,027,097 | 6,084,135 | 5,080,473 | 3,068,450 |
| Operating Profit | Rs in 000 | 3,777,340 | 8,334,652 | 6,385,918 | 5,551,649 | 4,597,673 | 2,791,690 |
| Profit Before tax | Rs in 000 | 3,930,221 | 7,831,306 | 5,679,891 | 4,509,505 | 3,085,525 | 966,245 |
| Profit After tax | Rs in 000 | 2,613,211 | 5,367,200 | 4,116,165 | 2,625,994 | 2,097,067 | 552,590 |
| **Financial Position** | | | | | | | |
| Shareholders' Equity | Rs in 000 | 19,681,125 | 18,427,856 | 17,418,984 | 15,788,187 | 15,936,361 | 13,905,105 |
| Property Plant & Equipment | Rs in 000 | 22,003,943 | 21,701,250 | 23,880,553 | 23,881,426 | 24,734,325 | 25,857,954 |
| Working Capital | Rs in 000 | 2,993,136 | 2,538,488 | 1,683,219 | 705,851 | 629,660 | (1,334,355) |
| Non Current Liabilities | Rs in 000 | 5,402,555 | 5,968,618 | 8,378,929 | 9,110,639 | 9,959,258 | 11,304,187 |

# Directors' Report

## General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present Annual Report together with Audited financial statements of the Company for the year ended 30th June 2017 and Auditors' Report thereon.

## Major Issues in Year 2016/17

2. Following collapse of CF Silo Line 2 vis-a-vis collateral damages to Line 1 and Line 2, both the lines having capacity of producing 10,900 Tons Per Day of clinker, came to stand still. Fauji Cement Company was confronted with some of major issues as listed below:-

a. Operationalization of Line 1 as soon as possible to start clinker production.

b. Dismantling damaged plant structures so as to commence rehabilitation of Line 2 as soon as possible. Major Rehabilitation works included:-

(1) Redesigning and Reconstruction of collapsed CF Silo.

(2) Complete Civil and Mechanical construction of Coal Mill.

(3) Fabrication and erection of stack.

(4) Repair of ESP in situ, including reconstruction of damaged building.

(5) Sourcing, Procurement and import of damaged plant and machinery from foreign and local suppliers.

(6) Errectioning and commissioning of Line 2 with the help of foreign experts.

(7) Ensure safety and security of men and material throughout during dismantling, fabrication, reconstruction, erection and commissioning.

c Settlement of insurance claim.

d. Retain market share and maintain quality of Cement to sustain Brand Image.

3. Given some of the major challenges above, Line 1 after repair and maintenance of damaged areas, was made operational on Furnace Oil and it started production of 3000 tons per day of clinker on 14th June 2016. However, essential works on damaged Coal Mill were completed on war footing and the plant stared producing 3700 tons per day of clinker with effect from 12th August 2016. Thus Line 1 was run for 311 days during the financial year with effect from 1st July 2016.

4. To retain the market share, arrangements for procurement of clinker from other Cement Plants in the vicinity were made. However, Fauji Cement without compromising on quality of Cement, continued marketing of all types of Cement as was being done before the accident i.e. 29th May 2016.

5. Rehabilitation activities of all sorts commenced concurrently. Senior Management cognizant of likely pace of domestic growth in foreseeable future, decided to convert the setback into opportunity by upgrading Line 2 from 7200 to 7600 tons per day of clinker. Meanwhile, approval of BODs to install Waste Heat Recovery Power Plant (WHRPP) on Line 1 and Wartsilla Power Plant was also obtained.

6. Rehabilitation works including upgradation of Line 2 are almost near completion whereas installation of WHRPP on line 1 is in progress so as to be commissioned by first quarter 2018.

## Market Overview

7. Industry dispatches for the FY 2016-17 were **40.32 Million** MT including **35.65 Million** MT domestic and **4.66 Million** MT exports. There is an increase of **3.71** % in total dispatches of the Industry as compared to the previous year which were **38.87 Million** MT including **33.00 Million** MT domestic and **5.87 Million** MT exports. Growth in domestic dispatches remained **8.03** % whereas export declined by **20.59** %.

8. FCCL dispatched **2,926,994** MT in FY 2016-17 including **2,803,597** MT domestic and **123,397** MT exports. There is a growth of **4.22** % in the total dispatches as compared to previous year. Capacity utilization of FCCL in FY 2016-17 has been **85**% as against **82**% in FY 2015-16.

## Production Review

9. Due to shutdown of Line 2, only Line 1 was operated for Clinker production. Comparative figures are given as under:-

| | FY 2016-17 | FY 2015-16 |
|---|---|---|
| a. Clinker Production (MT) | 1,121,439 | 2,580,732 |
| b. Clinker Purchased (MT) | 1,717,712 | 3,605 |
| c. Cement Production(MT) | 2,925,042 | 2,822,230 |

## Financial Performance

10. **Profitability.** FCCL earned a Profit after Tax of Rs. **2,613** Million as compared to last year's Profit of Rs. **5,367** Million. Cost of production increased by **47**% mainly due to purchase of outside clinker because of shutdown of Line 2. As a result, the given profit percentage decreased from **46**% in FY 2016 to **22**% in FY 2017. Company successfully managed debt servicing of Rs. **2.527** Billion during this Financial Year from Operational Cash Flows. Tax expense was lower in **2017** as compared to **2016** due to lower profits.

11. **Contribution to National Exchequer**

FCCL contributed PKR **Rs. 9.186** Billion (2016:PKR **6.352** Billion) to the National Exchequer in the Government Treasury on account of income taxes, excise duty, sales tax and other government levies. Moreover, valuable foreign exchange to the tune of **USD 7** Million was generated by Fauji Cement for the country from export of Cement during the year under review.

12. **Presentation of Financial Statements** Financial Statements prepared by the Management present the Company's state of affairs, results of its operations, cash flows and changes in equity in a fair and accurate manner.

13. **Accounting Policies.** Appropriate accounting policies are consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

14. **Books of Accounts.** Proper books of accounts are maintained.

15. **Compliance with IAS and IFRS** International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements.

16. **Internal Control System.** An internal control system is designed to provide reasonable assurance that the Company ensures compliance of policies, plans and laws, efficient use of resources, accomplishment of goals besides availability and integrity of financial and management information. The internal control system of FCCL is very comprehensive that is effectively implemented and monitored regularly. The Company has increased its emphasis on control procedures of each business unit to confirm that corporate policies are executed and corrections are applied as and when required.

17. **Going Concern.** There is no doubt that the Company has the ability and strength to operate as a going concern.

18. **Best Practices of Corporate Governance.** FCCL as a model corporate entity pursues perfection by adherence to the best corporate and ethical practices. Board practices of Corporate Governance as given in the Listing Regulations are being applied and implemented in true letter and spirit. All periodic financial statements of the Company were circulated to the Directors duly endorsed by Chief Executive Officer and Chief Financial Officer for approval before publication. Quarterly Unaudited Financial Statements along with Directors' Reviews were published and circulated to the shareholders and regulators within one month. Half Yearly statements reviewed by the Auditors were circulated within two months. Audited Annual Financial Statements are approved by the Board after the closing date and shall be presented to the shareholders in the 25th Annual General Meeting on 30th October 2017 for approval.

19. **Financial Data of Last Six Years.** Key Operating and financial data of last six years is tabulated below:-

| Description | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Operating Results** | | (Rs. in Million) | | | | |
| Net Sales | **20,423** | 20,044 | 18,642 | 17,532 | 15,968 | 11,523 |
| Gross Profit | **4,438** | 9,165 | 7,027 | 6,084 | 5,080 | 3,068 |
| Operating Profit | **3,777** | 8,335 | 6,386 | 5,552 | 4,598 | 2,792 |
| Financial Charges | **153** | 503 | 706 | 1,042 | 1,512 | 1,825 |
| Profit after Taxation | **2,613** | 5,367 | 4,116 | 2,626 | 2,097 | 553 |
| **Balance Sheet** | | | | | | |
| Shareholders' Equity | **19,681** | 18,428 | 17,419 | 15,788 | 15,936 | 13,905 |
| Property, Plant and Equipment | **22,004** | 21,701 | 23,881 | 23,881 | 24,734 | 25,898 |
| Long Term Loans including current portion | **1,489** | 4,012 | 6,525 | 7,914 | 10,484 | 12,555 |
| EPS (Rs) | | | | | | |
| Basic | **1.89** | 3.98 | 2.91 | 1.80 | 1.42 | 0.29 |
| Diluted | **1.89** | 3.94 | 2.91 | 1.80 | 1.42 | 0.29 |

20. **Dividend.** The Board is pleased to propose a dividend at the rate of Rs.**0.90** per share i.e **9** % for the financial year ended on 30th June 2017.

21. **Outstanding Statutory Dues.** The Company does not have any outstanding statutory dues except as shown in Note Number 8 to the Financial Statement.

22. **Provident Fund.** Value as on 30th June 2017 is given below:-

| | | Rs. In Million |
|---|---|---|
| a. | Management Staff | **340** |
| b. | Non-Management Staff | **227** |

23. **Role of Chairman.** Leads the Board of Directors, represents the Group and acts as an overall custodian of the Group on behalf of the Board and the stakeholders. Responsible for ensuring the Board's effectiveness; he empowers the Board as a whole to play a full and constructive part in the development and determination of the Company's strategy and overall objectives.

24. **Role of CE/MD.** Chief Executive/MD is responsible for execution of Company's long term strategy with a view to creating shareholders value. MD takes all day to day decisions to accomplish Company's short and long term objectives / plans. He acts as a direct liaison between the Board and the Company management. He also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public. CE / MD acts as a director, decision maker and leader. The communicator role involves interaction with the outside world and the decision making role involves high level decisions about policy and strategy. As a leader of the Company, he motivates employees and inculcates requisite enthusiasm and sprit in them.

25. **Board Composition.** Company's Board comprises of 2 independent Directors, 6 Non Executive Directors (Including Chairman) and 2 Executive Directors (CEO/MD and Executive Director (Plant). The diverse knowledge, expertise and skills of the members enhance the effectiveness of our Board. Our Board composition represents the interests of all categories of shareholders.

26. **Change of CE/MD of FCCL.** On retirement of Lt Gen Sardar Mahmood Ali Khan (Retd),HI(M), Lt Gen Muhammad Ahsan Mahmood (Retd),HI(M) was appointed as CE/MD of FCCL with effect from 24th February 2017. The Board while welcoming the new CE/MD, also placed on record its appreciation for the commendable services rendered by Lt Gen Sardar Mahmood Ali Khan (Retd),HI(M).

27. **Change of Directors.** Casual vacancies occurring on the board on 19th January and 5th June 2017 were filled up with in stipulated period on 20th January and 6th June 2017. Maj Gen Syed Jamal Shahid (Retd),HI(M), and Maj Gen Muhammad Farooq Iqbal (Retd),HI(M) resigned from the Directorship of the Company during the year and Maj Gen Tahir Ashraf Khan (Retd),HI(M), and Maj Gen Wasim Sadiq (Retd),HI(M) were appointed Directors in place of retiring ones. The Board

placed on record its appreciation for the valuable advices and services rendered by the retiring Directors and welcomed the new Directors on the Board.

28. **Salient Aspects of Company's Control and Reporting Systems.** The Company complies with all the requirements of the Code of Corporate Governance as contained in the Listing Regulations of Pakistan Stock Exchange. To fulfill this role, Board is responsible to implement overall Corporate Governance in the Company including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditures, appointing, removing and creating succession policies for the senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and Management Information Systems. It is also responsible for approving and monitoring financial and other reporting.

29. **Relations with Company Personnel** Relations between the Management and the workers continued to be cordial based on mutual respect and confidence building to optimal efficiency. The Company has allocated funds for Provident Fund and Profit Participation Fund for its employees. Considerable investment has been made for welfare of staff in order to provide safe and conducive working environment.

30. **Board of Directors Remuneration.** All Directors of the Company are Non Executive Directors except the CE/ MD and Executive Director (Plant). Both directors are paid fixed salary as per Company's HR Policy. Performance of the CEO/MD and Executive Director (Plant) are evaluated against approved criteria by HR and Remuneration Committee and recommended to the board for approval.

31. **Performance Evaluation of the Board** Pursuant to Code of Corporate Governance 2012, the Board of Directors approved a comprehensive mechanism for evaluation of Board's own performance. To meet the requirement, a comprehensive confidential questionnaire covering board's composition / scope, its objectives / functions, Company's performance and monitoring, etc was introduced. The Board evaluated all the factors in depth and found all the aspects up to the mark.

32. **Meetings of Board of Directors.** The Board exercises the powers conferred to it by the Code of Corporate Governance, the Companies Ordinance 1984 and the Memorandum and Article of Association of the Company through Board meetings which are held in every quarter for reviewing and approving the adoption of Company's financial statements coupled with review and adoption of Business plan. During this year, seven meetings of Board of Directors were held with the attendance as tabulated below:-

| Ser | Name of Directors | Attendance | |
|---|---|---|---|
| a. | Lt Gen Khalid Nawaz Khan (Retd),HI(M),Sitara-i-Esar | 7 | |
| b. | Lt Gen Sardar Mahmood Ali Khan (Retd),HI(M) | 5 | **Retired on 23.2.2017** |
| c. | Lt Gen Muhammad Ahsan Mahmood (Retd),HI(M) | 2 | **Joined on 24.2.2017** |
| d. | Mr. Qaiser Javed | 7 | |
| e. | Dr. Nadeem Inayat | 7 | |
| f. | Maj Gen Syed Jamal Shahid (Retd),HI(M) | 4 | **Retired on 19.1.2017** |
| g. | Maj Gen Tahir Ashraf Khan (Retd),HI(M) | 3 | **Joined on 20.1.2017** |
| h. | Maj Gen Muhammad Farooq Iqbal (Retd),HI(M) | 5 | **Retired on 5.6.2017** |
| i. | Maj Gen Wasim Sadiq (Retd),HI(M) | 1 | **Joined on 6.6.2017** |
| j. | Brig Asmat Ullah Khan Niazi (Retd),SI(M) | 7 | |
| k. | Brig Raashid Wali Janjua (Retd),SI(M) | 7 | |
| l. | Mr. Jawaid Iqbal | 4 | |
| m. | Mr. Pervez Inam | 5 | |
| n. | Leave of absence was granted to those directors who could not attend the meetings due to their commitments. | | |

33. **Board Committees and Meetings.** Following Committees were constituted to work under the guidance of Board of Directors:-

a. **Audit Committee.** The Committee comprises of four members including its Chairman. Three members including its Chairman are Non Executive Directors, while one is independent Director. During the year, six meetings of the Committee were held with the attendance as tabulated below:-

| Ser | Name of Directors | Attendance | |
|---|---|---|---|
| (1) | Mr. Qaiser Javed | 6 | |
| (2) | Dr. Nadeem Inayat | 5 | |
| (3) | Mr. Pervez Inam | 1 | |
| (4) | Maj Gen Syed Jamal Shahid (Retd),HI(M) | 1 | Retired on19.1.2017 |
| (5) | Maj Gen Muhammad Farooq Iqbal (Retd),HI(M) | 4 | Retired on 5.6.2017 |
| (6) | Maj Gen Wasim Sadiq (Retd),HI(M) | 1 | Joined on 6.6.2017 |
| (7) | Leave of absence was granted to the directors who could not attend the meetings due to their commitments. | | |

b. **Terms of Reference .** The term of references of the Audit Committee shall include the following:-

(1) Determination of appropriate measures to safeguard the company's assets.

(2) Review of Quarterly, Half Yearly and Annual Financial Statements of the Company prior to their approval by the Board of Directors, focusing on:-

(a) Major judgmental areas.

(b) Significant adjustments resulting from the audit.

(c) The Going concern assumption.

(d) Any changes in accounting policies and practices.

(e) Compliance with applicable accounting standards.

(f) Compliance with Listing Regulations and other Statutory and regulatory requirements.

(g) Significant related party transactions.

(3) Review of preliminary announcements of results prior to publication.

(4) Facilitating the External Audit and discussion with External Auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

(5) Review of management letter issued by external auditors and management's response thereto.

(6) Ensuring coordination between the internal and external auditors of the Company.

(7) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(8) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.

(9) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.

(10) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.

(11) Instituting special assignments as and when required.

(12) Determination of compliance with relevant statutory requirements.

(13) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

(14) Consideration of any other issue or matter as may be assigned by the Board of Directors.

c. **Technical Committee.** The Committee comprises of three members including its Chairman. All of the members are Non Executive Directors. During the year seven meetings of the Committee were held with the attendance as tabulated below:-

| Ser | Name of Directors | Attendance | |
|---|---|---|---|
| (1) | Brig Raashid Wali Janjua (Retd),SI(M) | 7 | |
| (2) | Maj Gen Syed Jamal Shahid(Retd), HI(M) | 4 | Retired on19.1.17 |
| (3) | Maj Gen Tahir Ashraf Khan (Retd), HI(M) | 3 | Joined on 20.1.17 |
| (4) | Maj Gen Muhammad Farooq Iqbal (Retd), HI(M) | 6 | Retired on 5.6.17 |
| (5) | Maj Gen Wasim Sadiq (Retd),HI(M) | 1 | Joined on 6.6.17 |
| (6) | Leave of absence was granted to the directors who could not attend the meetings due to their commitments. | | |

d. **Terms of Reference.** The terms of reference of the Technical Committee includes the following:-

(1) To critically review the technical aspects of feasibility studies submitted for new investments.

(2) To evaluate proposal regarding balancing, modernization and expansion of existing projects.

(3) To monitor the progress of ongoing projects with budgeted targets in order to identify "early warning signals" at the right time and suggest corrective measures in order to put the project on the right track.

(4) To recommend any matter of significance to the Board of Directors.

e. **Human Resource and Remuneration (HR&R) Committee.** The Committee has three members including its Chairman. They are all Non Executive Directors. Maj Gen Tahir Ashraf Khan (Retd),HI(M) was appointed Chairman of the Committee on 25th January 2017. It reviews all HR related matters of the Company. During the year, two meetings of the Committee were held with the attendance as tabulated below:-

| Ser | Name of Directors | Attendance | |
|---|---|---|---|
| (1) | Maj Gen Syed Jamal Shahid (Retd),HI(M) | 1 | **Retired on19.1.17** |
| (2) | Maj Gen Tahir Ashraf Khan (Retd),HI(M) | 1 | Joined on 20.1.17 |
| (3) | Dr. Nadeem Inayat | - | |
| (4) | Brig Asmat Ullah Khan Niazi (Retd),SI(M) | 2 | Joined on 6.6.17 |

f. **Terms of Reference.** The terms of reference of the HR & R Committee are as follows:-

(1) Recommending Human Resources Management Policies to the Board.

(2) Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CE/MD.

(3) Recommending to the board the selection, evaluation and compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit.

(4) Consideration and approval on recommendation of CE/MD on such matters for key management positions who report directly to the CE/MD.

(5) Reviewing and evaluating the Human Resource appraisal, development and succession planning process implemented across the company.

6) Reviewing the audit observation, if any, raised by the Internal and External Auditors of the Company relating to HR functions

34. **Pattern of Shareholding** . Pattern of shareholding of the Company in accordance with Companies Ordinance 1984 and Code of Corporate Governance as on 30th June 2017 is attached on page 77 of the report.

35. **Approval of Vision, Mission and Overall Corporate Strategy by the Board.** The Board of Directors have carefully reviewed and approved the Vision, Mission and Corporate Strategy of the Company. It comprehensively states the ideology with which FCCL was incorporated. We ensure that our Vision and Mission set the direction for our overall corporate strategy. The entire organization is connected and driven by the purpose and it serves the decision making criterion on our day to day business.

36. **Shareholders' Information.** To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to Pakistan Stock Exchange. Quarterly, Half Yearly and Annual Financial Statements are accordingly circulated within stipulated time frame to all concerned. Likewise, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time laid down in Code of Corporate Governance, Companies Ordinance 1984 and Listing Regulations of Pakistan Stock Exchange. These are also uploaded immediately on Company's website (www.fccl.com).

37. **Qualification of CFO and Head of Internal Audit.** Chief Financial Officer and Head of Internal Audit possess the requisite qualification and experience as prescribed in the Code of Corporate Governance.

38. **Training of the Board.** The Company takes keen interest in the professional Development of its Board members and managed necessary trainings of its Board members as per the requirements of the Code of Corporate Governance. Directors of the Board have completed Directors' Training Program as per the criteria specified by SECP. Certification of the new member is scheduled during the current year.

39. **Code of Conduct.** FCCL adheres to the best ethical standards in the conduct of business. Accordingly, Code of Conduct of the Company is approved by the Board of Directors and placed on its website.

40. **External Auditors.** KPMG Taseer Hadi & Co, Chartered Accountants have completed the Annual Audit for the year ended 30th June 2017 and will retire on conclusion of the Annual General Meeting. In view of the good corporate governance practices, the Board has recommended for approval by the shareholders duly endorsed by Audit Committee, the appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants, as External Auditors of the Company for the year ending 30th June 2018.

41. **Whistle Blowing Policy.** Fauji Cement is committed to achieve high standards of integrity, ethical values and accountability. Accordingly whistle blowing policy of the Company is approved by the Board of Directors which enables officers and employees to share their concerns for corrective measures.

42. **Related Party Transactions.** The Company adheres to the highest ethical standards in the conduct of business. Policy on Related Party Transactions of the Company is approved by the Board of Directors.

43. **Disclosures.** To the best of our knowledge, Directors except as shown on page 84 of the report (declared beneficial owners) Chief Executive/MD, CFO, Company Secretary, Company Auditors, their spouses and their minor children have not undertaken any trading in shares of the Company during the FY 2016-17.

44. **Social Environmental Policy.** Fauji Cement adheres to the highest ethical standards in the conduct of business. Accordingly, Social Environmental Policy of the Company duly approved by the Board of Directors is placed on the website of the Company.

45. **Code of Corporate Governance**. The Directors of the Company are aware of their responsibilities under the Code of Corporate Governance (the Code) incorporated in the Listing Regulations of Pakistan Stock Exchange under instructions from the Securities and Exchange Commission of Pakistan. Company has taken all necessary steps to ensure Good Corporate Governance and full compliance of the Code. As part of compliance of the code, we confirm the following:-

a. The financial statements prepared by Company management present fairly its state of affairs, results of its operations, cash flows and changes in equity.

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

c. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.

d. The system of internal control is sound in design and is effectively implemented and monitored.

e. There are no significant doubts upon the Company's ability to continue as a going concern.

f. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

g. As required by the Code of Corporate Governance, we have included the following information in this report:-

(1) Statement of Pattern of Shareholding is given on page no 77.

(2) Statement of Shares held by associated undertakings and related persons is given on page no 83.

(3) Statement of the Board meetings held during the year and attendance by each director is given on page no 11.

(4) Key operating and financial statistics for last six years is given on page no 10.

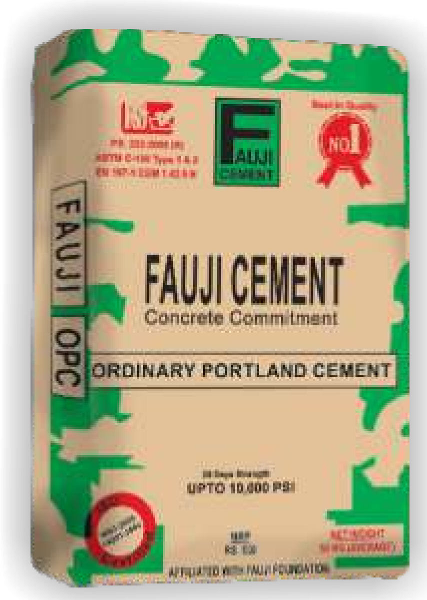
46. **Product Quality**. FCCL has always endeavored to produce the best quality Cement in Pakistan and we produce markets top of the line Ordinary Portland Cement, Low Alkali Cement, Sulphate Resistant Cement (SRC) and Low Heat Cement (LHC). FCCL's Laboratory is fully equipped with latest and state of the art equipment in accordance with National and International Standards. As a policy, FCCL is focused on customers' satisfaction and fair deal to its partners in the business. Types of Cement produced by FCCL are:-

a. **Ordinary Portland Cement.** Containing 95 % of a very high grade Clinker and 5% Gypsum with greater strength and increased fineness is the unique brand dominating the market. It conforms to the following standards:-

(1) Pakistan Standard, PS 232-2008 (R)-53 Grade.

(2) American Standard, ASTM C-150 Type I & II

(3) European Standard, EN 197-1/2000 CEM 1 42.5 N



**b. Low Alkali Cement**

Fauji Cement Company produces Low Alkali Cement of a very superior quality. Greater strength, genuine Cement contents, low expansion and Low Alkali contents distinct the product, which is best, suited for construction of Dams, Tunnels and Hydro Power Projects.

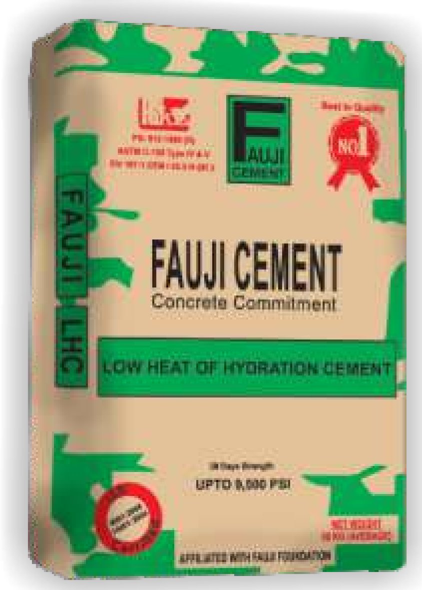

**c. Sulphate Resistant Cement (SRC)**

Fauji SRC conforms to with the national and International Testing Standards. It is an innovated product containing no silica sand which gives it exceptionally high compressive strength (more than 9200 psi in 28 days) and makes it outstanding amongst other brands. It prevents dampness rising in the walls and basements. SRC is best suited for Dams, Sea walls, Reservoirs, Sewerage lines, Water Treatment Plants, Wharfs, Harbors, Washrooms, Roofs, Basements, etc.


**d. Low Heat of Hydration Cement (LHC)**

Fauji LHC has low heat of hydration. This unique property makes Fauji LHC ideal for mass concrete structures where the rate of temperature rise and the maximum temperature has to be controlled in order to reduce the risk of thermal cracking.

| ASATM C-150 Type IV | Standard Limit | Fauji SRC |
|---|---|---|
| 7 Days (K.Cal/Kg) | 60 Max | 50.71 |
| 28 Days (K.Cal/Kg) | 70 Max | 59.76 |



e. **Fauji Cement and American Society for Testing and Materials.** American Society for Testing and Materials (ASTM) classify grey Cement into five major types. Out of five major types, Fauji Cement complies with the requirement of four types. Thus, Fauji Cement has a distinction of producing four major types of Cements according to ASTM Standards:-

(1) **Quality Management System.** Procedures and systems are appropriately placed and implemented ensuring supply of high quality Cement to customers. Diversification of products with higher standard of quality have placed Fauji Cement in high demand by the Hydro Power Projects and other mega development schemes in public and private sectors

(2) **ISO 9001:2008.** Fauji Cement Company Limited is certified for compliance to the latest Quality Assurance Standards. TUV Austria audits the certification.


CERTIFICATE

TÜV AUSTRIA

Management system as per
EN ISO 9001:2008

FAUJI CEMENT COMPANY LIMITED

manufacturing and selling of ordinary portland cement

47. **Rehabilitation Works and Various Up gradations at Plant.** Rehabilitation of both the lines particularly of line 2 was indeed a gigantic task. It involved redesigning of civil and mechanical structures, contracting, huge dismantling, procurement of materials including purchase of plant machinery from foreign and local suppliers, reconstruction of Civil and Mechanical structures, Fabrication, Erection and Commissioning under the supervision of various technical experts from Germany / Europe. Some of the major works are listed below:-

a. **Rehabilitation of Line 2**

(1) Redesigning dismantling and reconstruction of Civil and Mechanical works of collapsed Silo.

(2) Reconstruction of Coal Mill Building, Fabrication, Erection, Testing and Commissioning of complete Coal Mill.

**Rehabilitation Work in progress**

(3) Fabrication, Erection and commissioning of Bucket Elevators.

(4) Repair, maintenance, Fabrication, Erection, Testing and commissioning of damaged portions of Klin.

(5) Repair, maintenance and replacement of damages parts of Electrostatic Precipitator (ESP) in situ and dismantling / reconstruction of damaged ESP building.

(6) Fabrication, Testing, Erection and commissioning of ESP Stack and ESP Fan.

(7) Repair, maintenance, Fabrication and Erection of Coal Conveyer / supply system to Coal Mill.

b. **Rehabilitation of Line 1.** Besides dismantling, Rehabilitation of Raw Mill and reconstruction of Coal Mill substation encompassing Civil Mechanical, instrument and electrical works were completely redone in record time of eight weeks.

**Foreign / Local experts engaged in Rehabilitation Works**

**Rehabilitation Work in progress**

c. **Major Upgradations**

(1) **Line 1.** Cooler up gradation to reduce the clinker temperature and the specific fuel consumption is in progress. Moreover, replacement of air lift at Raw Mill Silo with Bucket elevator would help saving on energy consumption.

(2) **Line 2.** Besides upgrading the line from 7200 to 7600 tons per day of clinker production with the assistance of German Engineers, following projects are in progress:-

(a) Construction of Multi Compartment Cement Silo with the storage capacity of 20,000 tons of Cement of various types.

(b) Installation of new packer to expedite packing and dispatch of Cement in line with the growing market.

(c) Construction of Clay Shed for storage of 10,000 tons of Clay.

48. **Waste Heat Recovery Power Plant Project for 3700 TPD Clinker Production Line-1 and Wartsila Power Plant.** Cement manufacturing process is energy and fuel intensive hence significantly affect the cost of product. To reduce the cost of production, Fauji Cement is installing another Waste Heat Recovery Power Plant on Line 1 and Wartsilla Power Plant. The plant after commissioning will generate 7.6 MW of cheaper electricity. On completion of the Project Fauji Cement will be generating approximately 16.8 MW of power by capping on Waste Heat emissions by both the lines.

49. FCCL had signed an agreement with Sinoma Energy Conservation Limited from China on 13 December 2016 for designing, engineering and supplying of equipments for generation of 7.6 MW power. Sinoma Energy Conservation Limited had already supplied and successfully commissioned a 10 MW Waste Heat Recovery Power for Line 2 in March 2015. New 7.6 MW Waste Heat Recovery Power Plant is under construction and expected to be commissioned in first quarter 2018. After addition of this 7.6 MW power generating unit, FCCL's total self power generating capacity will shoot up to 39.3 MW. This will lessen the burden on National Grid and shall provide stability to our Production Lines with negligible outages against load restrictions by Wapda.

Lt Gen Sardar Mahmood Ali Khan(Retd), HI(M), CE/MD FCCL — QU Tiezheng, Director Sinoma

**Groundbreaking ceremony of WHRPP Line 1**

**WHRPP Line 1 Work in progress**

50. **OHSAS 18001:2007 Occupational Health and Safety Management.** It is an international standard, which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace. Implementing the standard will send a clear signal to all stakeholders to view employee's health and safety as a priority within an organization. FCCL has proceeded for OHSAS 18001:2007 certifications. TUV Austria has been engaged as External Auditor. The company will be OHSAS 18001:2007 certified this year.

51. **Corporate Social Responsibilities and Sustainable Environment Care.** Fauji Cement Company Limited is playing vital role for its social responsibility in neighboring areas:-

a. **Technical Education and Skill Development.** Realizing the importance of technically skilled manpower in development, FCCL has taken initiative to develop Fauji Technical Training Institute. First phase of the institute has been completed with all basic facilities for imparting education to apprentices, Trainees and FCCL own employees. Five workshops of different industrial trades are being added up not only to meet the growing requirements of skilled workers at industrial and individual level but also to play a vital role for human resource development. In addition, the institute has a hostel with messing facilities for the students / apprentices.

b. **Woman Vocational Training Centre.**

Women Vocational Training Centre at cost of Rs. 2.5 Million has been setup. Free of cost training is imparted to women / girls of the surrounding areas in following disciplines:-

| | | |
|---|---|---|
| (1) | Dress Cutting and Sewing (Domestic Version) | 3 Months |
| (2) | Dress Cutting and Sewing (Industrial Version) | 6 “ |
| (3) | Hand Embroidery | 3 “ |
| (4) | Hand / Machine Knitting | 3 “ |
| (5) | Short Computer Courses (Summer Camp) | 2 “ |

(6) 102 students have completed various courses whereas 45 students are undergoing the training.

c. **Medical Facility**. Free medical treatment is extended to locals through Company Operational Medical Dispensary equipped with necessary equipment and medicines. Two MBBS Doctors are available on 24 hours basis to extend treatment to patients. A well equipped Ambulance has also been placed to cater for timely evacuation of serious cases. Free of cost OPD functions on daily basis whereas emergencies are handled on 24/7 basis.

d. **Children Park.** The recreational facility for the children of local community. Park is maintained properly and children of local community are encouraged to use the facility.

e. **Fauji Model Secondary School (FMSS)** This year two main functions were arranged by FMSS i.e. 23rd March 2017 (Pakistan Resolution Day) and 14th August 2017 (70th Independence Day Celebration of Pakistan). Purpose was to create awareness and inculcate national sprit amongst the students. Besides, due to good results achieved (i.e 100%) by FMSS, Students acquiring A+ and A grades were awarded Latest Model Laptop Computer, Media Tabs and cash prizes. Purpose was to encourage all students to work hard for better results.

**Independence Day Celebrations**

f. **Collaboration with Development in Literacy (DIL) Services.** To improve the teaching standards and impart quality education to the students, FCCL management acquired the services of DIL; internationally renowned NGO. School principal and senior teachers have been trained. Early Childhood Education training is being imparted to teacher Montessori/Prep level. Overall General Teaching Skills and Teaching techniques of FMSS teachers are being improved gradually through proper training plan.

g. **Tree Plantation Campaign.** A comprehensive tree plantation campaign was organized by FCCL in Spring and Monsoon seasons. Two Orchards have been developed over land measuring 80 Kanals. The purpose was to create a healthy environment in surrounding areas of FCCL Plant. FCCL also donated 1200 Plants in to the District Environment Department at Attock.

h. **Roza Aftari.** Aftari was arranged in Jamia Masjid of FCCL Plant throughout the month of Ramadan 2017. The purpose was to facilitate the locals, truck drivers and poor / needy people.

I **Sports Gala.** A Flood Light Night Cricket Tournament was conducted during Ramadan by Sports Organizing Committee of FCCL at Plant. FCCL fielded two of its teams whereas eight teams participated in the tournament. The purpose was to create goodwill among local populace and to inculcate healthy sports related activities among the people living in close vicinity of the Plant. It was a very successful event from all aspects. Large number of people including notables came as spectators to witness various matches of the tournament.

**j.** **Sports Sponsorship.** To promote the National Game and improve community relations. FCCL is sponsoring four players of National Hockey Team (Junior Squad). The main aim of the sponsorship is improvement of Hockey in Pakistan.

k. **Mount Everest Expedition 2017.** FCCL was one of the sponsors of Mount Everest Expedition 2017. Lt Col Dr. Abdul Jabbar Bhatti (Retd) at the age of 59 became the oldest mountaineer to reach the summit at Mount Everest. He achieved this feet on 21 May 2017.


**Lt Gen Muhammad Ahsan Mahmood (Retd),HI(M), CEO/MD FCCL greeting and awarding Mountaineer Lt Col Dr. Abdul Jabbar Bhatti (Retd) at FCCL Head Office Rawalpindi .**

l. **Health, Safety and Training**. Company Management accords due priority to Health, Safety and Training of its employees and as stakeholder. Allocation of Funds is kept in the Annual Budget. Awareness about various safety aspects is also created through lectures / demonstrations to employee and others. Safety and Protection Gears inducted at Plant are of the highest quality to cater for safety of all working within the Plant premises. With regards, to health regular medical checkups of all workers is done beside lectures on health by Medical Officer.

m. **Fire Safety.** Fire fighting and fire alarm systems have been installed to guard against any incident. Funds are allocated every year for up gradation and maintenance of the safety / firefighting equipment. Another fire crash tender is being procured.

Board of Directors and Management at FCCL Head Office after 121st BODs Meeting

## Acknowledgement

52. The Directors express their deep appreciation to valued Shareholders, Customers, Financial Institutions/Government Departments, Dealers, Contractors, Foreign and local suppliers for their cooperation and Company's Employees for their hard work and commitment, which has enabled the company to achieve exceptionally good operational results.

53. The Board is of the opinion that with sustained efforts and ALLAH's blessings, the Company after putting Line 2 operational is well on its way to success.

For and on behalf of the Board

Rawalpindi
20 September 2017

**Lt Gen Khalid Nawaz Khan (Retd), HI(M), Sitara-i-Esar**
**Chairman Board of Directors FCCL**

# Statement of Compliance With the Code of Cooperates governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in clause 5.19.24 of Listing Regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:-

1. The Company encourages representation of independent, Executive and Non Executive Directors representing minority interests on its Board of Directors. At present the Board includes:-

| **Category** | | **Names** |
|---|---|---|
| **Independent Director** | 1. | Mr. Pervez Inam |
| | 2. | Mr. Jawaid Iqbal |
| **Executive Director** | 1. | Lt Gen Muhammad Ahsan Mahmood (Retd), HI(M),**(CEO/MD)** |
| | 2. | Brig Asmat Ullah Khan Niazi (Retd),SI(M), **ED (Plant)** |
| **Non-Executive Directors** | 1. | Lt Gen Khalid Nawaz Khan (Retd),HI(M), Sitara-i-Esar **(Chairman)** |
| | 2. | Mr. Qaiser Javed |
| | 3. | Dr. Nadeem Inayat |
| | 4. | Maj Gen Tahir Ashraf Khan (Retd),HI(M) |
| | 5. | Maj Gen Wasim Sadiq (Retd),HI(M) |
| | 6. | Brig Raashid Wali Janjua (Retd),SI(M) |

The independent Directors meet the criteria of independence under clause 5.19.1(b) of the of CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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 Development Finance Institution (DFI) or Non Banking Finance Institution (NBFI) or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. Three casual vacancies occurring on the Board on $19^{th}$ January 2017, $23^{rd}$ February 2017 and $5^{th}$ June 2017 were filled up by the Directors on $20^{th}$ January 2017, $24^{th}$ February 2017 and $6^{th}$ June 2017 with in stipulated period.

5. The Company has prepared a “**Code of Conduct**” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with 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 decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and Non Executive Directors, have been taken by the Board / shareholders.

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

9. The Board arranged training program for its Director named as Maj Gen Tahir Ashraf Khan (Retd), HI(M) during the year ended as on 30 June 2017. All Directors of the Company have obtained certificate under Director Training Program offered by specified institution except the Directors who were appointed to fill the casual vacancy during the year. Training programs of remaining Directors appointed in case of casual vacancy will be scheduled in the next financial year.

10. The Board has already approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

12. The Financial Statements of the Company were duly endorsed by 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 members including its chairman are Non Executive Director while forth is an independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an Human Recourse and Remuneration Committee. It comprises three members, all are Non-Executive Directors and the Chairman of the Committee is also a Non Executive Director.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experience for the purpose and is conversant with the policies and

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 **(ICAP),** that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants **(IFAC)** guidelines on code of ethics as adopted by the **ICAP.**

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

21. The **'Closed Period'**, prior to the announcement of Interim/Final Results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and Pakistan Stock Exchange (s).

22. Material / Price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange (s).

23. The Company has complied with the requirement relating to maintenance of register of person having access to inside information by designated Senior Management Officer in a timely manner and maintained proper record including basis for inclusion of exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Lt Gen Khalid Nawaz Khan (Retd),HI(M),Sitara-i-Esar
**Chairman Board of Directors FCCL**

Rawalpindi
20 September 2017

# 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 **Fauji Cement Company Limited** (“the Company”) for the year ended 30 June 2017 to comply with the requirements of Listing Regulation No. 5.19.24 of the Pakistan Stock Exchange Limited, 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 and if it does not, 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related 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 2017.

**Islamabad**
**20 September 2017**

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
Engagement partner: Riaz Pesnani

# Auditors' Report To The Members

We have audited the annexed balance sheet of **Fauji Cement Company Limited** ("the Company") as at 30 June 2017 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 the 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 2017 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.

**Islamabad**
**20 September 2017**

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
Engagement Partner: Riaz Pesnani

# Balance Sheet As At 30 June 2017

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 4 | **13,798,150** | 13,798,150 |
| Reserves | 5 | **5,882,975** | 4,629,705 |
| | | **19,681,125** | 18,427,855 |
| **NON - CURRENT LIABILITIES** | | | |
| Long term financing | 6 | **1,063,045** | 1,486,178 |
| Deferred liabilities | 7 | **4,339,510** | 4,482,438 |
| | | **5,402,555** | 5,968,616 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 8 | **1,558,258** | 1,968,031 |
| Markup accrued | | **43,991** | 76,265 |
| Short term borrowings | 9 | **312,441** | 78,037 |
| Current portion of long term financing | 6 | **426,177** | 2,525,955 |
| Provision for taxation - net | 10 | **327,672** | 312,893 |
| | | **2,668,539** | 4,961,181 |
| | | **27,752,219** | 29,357,652 |
| **CONTINGENCIES AND COMMITMENTS** | 11 | | |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

# Balance Sheet As At 30 June 2017

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| **NON - CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | **22,003,943** | 21,701,250 |
| Long term deposits and prepayments | 13 | **86,601** | 156,733 |
| | | **22,090,544** | 21,857,983 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 14 | **2,194,451** | 2,177,367 |
| Stock in trade | 15 | **1,071,970** | 540,588 |
| Trade debts | 16 | **1,148,618** | 569,101 |
| Advances | 17 | **83,001** | 218,947 |
| Trade deposits, short term prepayments and balances with statutory authority | 18 | **53,374** | 16,593 |
| Interest accrued | | **2,663** | 4,447 |
| Other receivables | 19 | **589,761** | 982,562 |
| Short term investments | | **-** | 1,324,485 |
| Cash and bank balances | 20 | **517,837** | 1,665,579 |
| | | **5,661,675** | 7,499,669 |
| | | **27,752,219** | 29,357,652 |

Director

# Profit And Loss Account For The Year Ended 30 June 2017

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| **Turnover - net** | 21 | **20,423,356** | 20,044,438 |
| Cost of sales | 22 | **(15,985,679)** | (10,879,156) |
| **Gross profit** | | **4,437,677** | 9,165,282 |
| Distribution cost | 23 | **(166,361)** | (208,777) |
| Administrative expenses | 24 | **(339,766)** | (312,108) |
| Other operating expenses | 25 | **(291,095)** | (578,543) |
| Finance cost | 26 | **(152,960)** | (503,346) |
| Other income | 27 | **136,884** | 268,798 |
| Insurance claim | 28 | **305,842** | - |
| Impairment loss | 28 | **-** | - |
| **Profit before taxation** | | **3,930,221** | 7,831,306 |
| Income tax expense | 29 | **(1,317,010)** | (2,464,106) |
| **Profit for the year** | | **2,613,211** | 5,367,200 |
| Earnings per share - basic (Rupees) | 30.1 | **1.89** | 3.98 |
| Earnings per share - diluted (Rupees) | 30.2 | **1.89** | 3.94 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

# Statement Of Comprehensive Income For The Year Ended 30 June 2017

| | 2017<br>Rupees'000 | 2016<br>Rupees'000 |
|---|---|---|
| Profit for the year | **2,613,211** | 5,367,200 |
| Other comprehensive income for the year | **-** | - |
| **Total comprehensive income for the year** | **2,613,211** | 5,367,200 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

# Cash Flow Statement For The Year Ended 30 June 2017

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax expense | | **3,930,221** | 7,831,306 |
| **Adjustments for:** | | | |
| Depreciation | 12.2 | **1,315,997** | 1,357,090 |
| Provision for compensated absences | 7.1 | **41,418** | 43,309 |
| Workers' (Profit) Participation Fund including interest | 8.2 | **215,748** | 420,659 |
| Workers' Welfare Fund | 25 | **78,604** | 156,626 |
| Finance cost | 26 | **148,203** | 503,104 |
| Gain on disposal of property, plant and equipment | 27 | **(10,340)** | (1,952) |
| Realized gain on short term investments | | **(29,381)** | (56,746) |
| Unrealized gain on short term investments | | **-** | (121) |
| Interest income including interest on long term advance | | **(35,132)** | (116,553) |
| | | **1,725,117** | 2,305,416 |
| Operating cash flows before working capital changes | | **5,655,338** | 10,136,722 |
| **Decrease / (increase) in working capital** | | | |
| Stores, spares and loose tools | | **(17,084)** | (211,956) |
| Stock in trade | | **(531,382)** | 347,948 |
| Long-term advance | | **900** | 900 |
| Trade debts | | **(579,517)** | (2,960) |
| Advances | | **135,046** | (207,757) |
| Trade deposits and short term prepayments | | **(36,781)** | (6,731) |
| Other receivables | | **(307,199)** | 2,981 |
| Trade and other payables | | **10,499** | (423,581) |
| | | **(1,325,518)** | (501,156) |
| Cash generated from operations | | **4,329,820** | 9,635,566 |
| Compensated absences paid | 7.1 | **(36,471)** | (27,548) |
| Payment to Workers' (Profit) Participation Fund | 8.2 | **(615,175)** | (15,162) |
| Taxes paid | | **(1,447,959)** | (1,693,355) |
| Net cash generated from operating activities | | **2,230,215** | 7,899,501 |
| **Cash flows from investing activities** | | | |
| Additions in property, plant and equipment excluding borrowing cost capitalized | | **(1,621,281)** | (157,405) |
| Proceeds from disposal of property, plant and equipment | | **12,931** | 2,066 |
| Insurance claim received | | **700,000** | - |
| Additions in short term investments | | **-** | (4,635,075) |
| Encashment of short term investments | | **1,353,866** | 3,667,668 |
| Interest received on bank deposits and long term advance | | **36,916** | 116,008 |
| Net cash generated from / (used in) investing activities | | **482,432** | (1,006,738) |
| **Cash flows from financing activities** | | | |
| Repayment of long term finances | | **(2,527,052)** | (2,612,928) |
| Dividend paid on preference shares | | **-** | (240,785) |
| Dividend paid on ordinary shares | | **(1,376,612)** | (4,407,044) |
| Finance cost paid | | **(191,129)** | (335,309) |
| Net cash used in financing activities | | **(4,094,793)** | (7,596,066) |
| **Net decrease in cash and cash equivalents** | | **(1,382,146)** | (703,303) |
| **Cash and cash equivalents at beginning of the year** | | **1,587,542** | 2,290,845 |
| **Cash and cash equivalents at end of the year** | 31 | **205,396** | 1,587,542 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

# Statement Of Changes In Equity For The Year Ended 30 June 2017

| | Share capital | | Capital reserve | | Revenue reserve | Total |
|---|---|---|---|---|---|---|
| | Ordinary | Preference | Discount on issue of shares | Hedging reserve | Un-appropriated profit | |
| | Rupees'000 | | | | | |
| **Balance at 01 July 2015** | 13,311,158 | 486,992 | (1,364,385) | (72,895) | 5,058,114 | 17,418,984 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | 5,367,200 | 5,367,200 |
| **Total comprehensive income for the year** | - | - | - | - | 5,367,200 | 5,367,200 |
| Transfer during the year | - | - | - | 53,021 | - | 53,021 |
| **Transactions with owners of the Company** | | | | | | |
| ***Contributions and distributions:*** | | | | | | |
| Conversion of preference shares into ordinary shares | 486,992 | (486,992) | - | - | - | - |
| Final dividend 2015 @ Rs. 1.50 per share | - | - | - | - | (1,996,674) | (1,996,674) |
| Interim dividend 2016 @ 1.75 per share | - | - | - | - | (2,414,676) | (2,414,676) |
| **Total transactions with owners of the Company** | 486,992 | (486,992) | - | - | (4,411,350) | (4,411,350) |
| **Balance at 30 June 2016** | 13,798,150 | - | (1,364,385) | (19,874) | 6,013,964 | 18,427,855 |
| **Balance at 01 July 2016** | **13,798,150** | **-** | **(1,364,385)** | **(19,874)** | **6,013,964** | **18,427,855** |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | **-** | **-** | **-** | **-** | **2,613,211** | **2,613,211** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **2,613,211** | **2,613,211** |
| Transfer during the year | **-** | **-** | **-** | **19,874** | **-** | **19,874** |
| **Transactions with owners of the Company** | | | | | | |
| ***Distributions:*** | | | | | | |
| Final dividend 2016 @ Rs. 1.00 per share | **-** | **-** | **-** | **-** | **(1,379,815)** | **(1,379,815)** |
| **Total transactions with owners of the Company** | **-** | **-** | **-** | **-** | **(1,379,815)** | **(1,379,815)** |
| **Balance at 30 June 2017** | **13,798,150** | **-** | **(1,364,385)** | **-** | **7,247,360** | **19,681,125** |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

# Notes To The Financial Statements For The Year Ended 30 June 2017

## 1. LEGAL STATUS AND OPERATIONS

**1.1** Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 ("the Ordinance"). The Company commenced its business with effect from 22 May 1993. The shares of the Company are quoted on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of different types of cement. The Company's registered office is situated at Fauji Towers, Block-III, 68-Tipu Road, Rawalpindi.

**1.2** The Company is in the process of setting up a new Waste Heat Recovery Power Project with gross output of 7.63 Mega Watt on Line-I.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Basis of measurement and preparation

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared under historical cost convention, except for certain short term investments which are carried at the fair values.

### 2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees (PKR) which is the Company's functional and presentation currency. Amounts presented in Pakistan Rupee have been rounded off to nearest of thousand, unless otherwise stated.

### 2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

**2.4.1 Property, plant and equipment**

The Company reviews the residual values and useful lives of property, plant and equipment on regular basis. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge, impairment and related deferred tax liability.

**2.4.2 Provision for inventory obsolescence**

The Company reviews the net realizable value of stock in trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated cost to complete and estimated cost to make the sales.

**2.4.3 Provision for doubtful receivables and advances**

The carrying amounts of trade and other receivables and advances are assessed on a regular basis and if there is any doubt about the realisability of these receivables and advances, appropriate amount of provision is made.

**2.4.4 Taxation**

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**2.4.5 Provisions and contingencies**

A provision is recognized, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The un-winding of discount is recognized as finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can not be measured with sufficient reliability, it is disclosed as contingent liability.

**2.4.6 Impairment**

**2.4.6.1 Impairment of financial assets**

In making an estimate of future cash flows of the Company’s financial assets, the management considers estimated cash flows and their terminal value for impairment testing.

# Notes To The Financial Statements For The Year Ended 30 June 2017

### 2.4.6.2 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

### 2.4.7 Fair value of investments - held for trading

The fair value of investments "held for trading" are determined with reference to their quoted closing repurchase price at the reporting date. Any change in the estimate might affect carrying amount of investments "held for trading" with corresponding effect in profit and loss account.

### 2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

-Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

-Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

-Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

-Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

-Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

-Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

-Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

-IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

-IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are not likely to have an impact on Company's financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on

1 July 2017 requires certain additional disclosures and changes for certain accounting treatments which may require change in the relevant accounting policy.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in statement of comprehensive income or equity.

**Current**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset if certain criteria is met.

**Deferred**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Taxable temporary difference are adjusted by the portion of income expected to fall under presumptive tax regime in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. The effect of the adjustment is charged or credited to income currently.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

**3.2 Property, plant and equipment**

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost of property, plant and equipment includes acquisition cost, borrowing cost during construction phase of relevant asset and other directly attributable costs including trial run production expenses (net of income, if any). Transfers from capital work in progress are made to the relevant category of property, plant and equipment as and when the assets are available for use in the manner intended by the Company's management.

Depreciation is charged to income on the straight line method so as to write off the depreciable amount of the property, plant and equipment over their estimated useful lives at the rates specified in note 12. Depreciation on depreciable assets is commenced from the date the asset is available for use upto the date when the asset is disposed off.

The cost of replacing a major item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposals with the carrying amount of property, plant and equipment and are recognized on net basis within "other income" in profit and loss account.

**3.3 Impairment**

**(i) Financial assets**

Financial assets not classified at fair value through profit or loss, including an interest in equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise and indication that a debtor will enter bankruptcy.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. For financial assets measured at amortized cost, the Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit and loss account and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

For equity-accounted investees, an impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

**(ii) Non-financial assets**

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3.4 Stores, spares and loose tools**

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable. Cost is determined using weighted average method except for items in transit which is determined on the basis of cost incurred upto the balance sheet date. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate impairment is recognized. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

**3.5 Stock in trade**

Stock of raw material, work in process and finished goods are valued at the lower of weighted average cost and net realizable value. Stock of packing material is valued at weighted average cost less impairment, if any. Cost of work in process and finished goods comprises cost of direct materials, labour and directly allocable manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to be incurred in order to make a sale.

**3.6 Foreign currency transactions and translation**

Transactions in foreign currencies are translated into functional currency at exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at beginning of the year, adjusted for effective interest and payments during the year, and amortized cost in foreign currency translated at the exchange rate at balance sheet date. Exchange differences are included in the profit and loss account.

**3.7 Revenue recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates. The timing of transfer of risk and rewards varies depending on the individual terms of the sale agreement. For sale of cement, the transfer usually occurs on delivery of goods to the customer, however, for some international shipments the transfer occurs on the loading of goods onto the relevant carrier at the port. Generally for such sales, the customer has no right of return.

## 3.8 Financial instruments

**Classification**

The Company classifies non-derivative financial assets into financial assets at fair value through profit or loss and loans and receivables category. The Company classifies non-derivative financial liabilities into other financial liabilities category.

**Recognition and derecognition**

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**Non-derivative financial assets – Measurement**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit and loss account.

**Loans and receivables**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

**Non-derivative financial liabilities – Measurement**

Financial liabilities categorized as other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

# Notes To The Financial Statements For The Year Ended 30 June 2017

## 3.9 Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

## 3.10 Employees benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policies for other employee benefits are described below:

### 3.10.1 Provident fund (retirement benefit)

The Company also operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Company and employees at the rate of 10% of the basic salary, the fund is managed by its Board of Trustee. The contributions of the Company are charged to profit and loss account.

### 3.10.2 Compensated leave absences

The Company provides for compensated absences on the unavailed balance of privilege leaves of all its permanent employees in the period in which leave is earned. Provision for the year is charged to profit and loss account.

## 3.11 Earnings per share

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

## 3.12 Provisions

A provision is recognized 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 economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

## 3.13 Share capital and dividend

Ordinary shares are classified as equity and recognized at their face value. Dividend distribution to the shareholders is recognized as liability in the period in which it is declared.

### 3.14 Other income / Finance cost

Other income comprises interest income on funds invested, deposit accounts and advances, dividend income on investment in marketable securities and gain on disposal of property, plant and equipment. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities.

Finance cost comprises interest expense on borrowings and Workers' Profit Participation Fund, exchange losses and bank charges.

### 3.15 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

# Notes To The Financial Statements For The Year Ended 30 June 2017

## 4 SHARE CAPITAL

### 4.1 Authorized share capital

Authorized share capital comprises of 1,500,000,000 (2016: 1,451,300,813) ordinary shares of Rs. 10 each and Nil (2016: 48,699,187) preference shares of Rs. 10 each.

### 4.2 Issued, subscribed and paid up capital

| 2017 Number '000 | 2016 Number '000 | | 2017 Rupees '000 | 2016 Rupees '000 |
|---|---|---|---|---|
| | | **Ordinary shares** | | |
| **171,311** | 171,311 | Ordinary shares of Rs. 10 eachpaid in cash | **1,713,105** | 1,713,105 |
| **199,433** | 199,433 | Ordinary shares of Rs. 10 each issued at a discount of Rs. 3.85 per share-paid in cash | **1,994,325** | 1,994,325 |
| **322,546** | 322,546 | Ordinary shares of Rs. 10 each issued at a premium of Rs. 6 per share-paid in cash | **3,225,465** | 3,225,465 |
| **637,826** | 637,826 | Ordinary shares of Rs. 10 each issued at a discount of Rs. 5 per share-paid in cash | **6,378,263** | 6,378,263 |
| **48,699** | 48,699 | Ordinary shares of Rs. 10 each issued on conversion of preference shares | **486,992** | 486,992 |
| **1,379,815** | 1,379,815 | | **13,798,150** | **13,798,150** |

4.2.1 Fauji Foundation, an associated company, holds 543,650,242 (2016: 543,650,242) ordinary shares of the Company at the year end. In addition Fauji Fertilizer Company Limited, Fauji Fertilizer Bin Qasim Limited and Fauji Oil Terminal & Distribution Company Limited, associated companies, hold 93,750,000 (2016: 93,750,000), 18,750,000 (2016: 18,750,000) and 18,750,000 (2016: 18,750,000) ordinary shares respectively of the Company at the year end. Whereas, 547,857 (2016: 547,857) shares are held by Directors of the Company.

## 5 RESERVES

| | 2017 Rupees '000 | 2016 Rupees '000 |
|---|---|---|
| **Capital reserves** | | |
| Discount on issue of shares | **(1,364,385)** | (1,364,385) |
| Hedging reserve | **-** | (19,874) |
| **Revenue reserves** | | |
| Un-appropriated profit | **7,247,360** | 6,013,964 |
| | **5,882,975** | 4,629,705 |

# Notes To The Financial Statements For The Year Ended 30 June 2017

## 6 LONG TERM FINANCING - SECURED

### - Loans from banking companies (under mark up arrangements) - Conventional banks

| Nature / Lender | 2017 | 2016 | Rate of interest per annum | Outstanding installments | Interest payable |
|---|---|---|---|---|---|
| | Rupees'000 | | | | |
| Syndicate Finance | - | 672,727 | Nil (2016: 6 month's KIBOR +0.40%) | None | None |
| Citi Bank Europe Plc | - | 1,532,997 | Nil (2016: 6 month's LIBOR +0.70%) | None | None |
| National Bank of Pakistan | **535,714** | 750,000 | 6 month's KIBOR + 0.75% (2016: 6 month's KIBOR +0.75%) | 5 semi annual installments ending 19 July 2019 | Semi annual |
| MCB Bank Limited | **953,508** | 1,059,453 | 6 month's KIBOR + 0.40% (2016: 6 month's KIBOR + 0.40%) | 8 semi annual installments ending 21 July 2021 | Semi annual |
| Less: Unamortized portion of transaction cost | - | (3,044) | | | |
| | **1,489,222** | 4,012,133 | | | |
| Less: Current portion shown under current liabilities | **(426,177)** | (2,525,955) | | | |
| | **1,063,045** | 1,486,178 | | | |

6.1 The above facilities including repaid are secured by way of creation of 1st pari passu mortgage over the immovable property of the Company and hypothecation charge over all current and future assets of the Company with 25% margin. Allied Bank Limited is the security trustee and inter creditor agent on behalf of all the first pari passu lenders.

| 7 DEFERRED LIABILITIES | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| Provision for compensated absences | 7.1 | **58,014** | 55,214 |
| Deferred taxation | 7.2 | **4,281,496** | 4,427,224 |
| | | **4,339,510** | 4,482,438 |

### 7.1 Provision for compensated absences

| | 2017 | 2016 |
|---|---|---|
| Balance at beginning of the year | **68,311** | 52,550 |
| Add: Charge for the year | **41,418** | 43,309 |
| | **109,729** | 95,859 |
| Less: Amount paid during the year | **(36,471)** | (27,548) |
| | **73,258** | 68,311 |
| Less: Amount transferred to current liabilities | **(15,244)** | (13,097) |
| | **58,014** | 55,214 |

As per the rules of compensated absences, unavailed leaves up to 30 days are payable at the time of retirement. Compensated absences over and above the period of 30 days are paid to the employees as per the Company policy. Therefore the balance of unavailed compensated absences over that period has been transferred to current liabilities. Actuarial valuation has not been carried out as the impact is considered immaterial.

| | | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|---|
| **7.2** | **Deferred taxation** | | | |
| | **Deductible temporary differences** | | | |
| | Unrealized exchange loss on foreign currency loan | | **-** | (78,376) |
| | Provision for slow moving spares | | **(11,066)** | (11,066) |
| | **Taxable temporary difference** | | | |
| | Property, plant and equipment | | **4,125,738** | 4,225,981 |
| | Other receivables | | **166,824** | 290,685 |
| | | | **4,281,496** | 4,427,224 |
| **8** | **TRADE AND OTHER PAYABLES** | | | |
| | Creditors | | **273,663** | 117,959 |
| | Accrued liabilities | | **539,085** | 645,138 |
| | Retention money | | **37,611** | 40,828 |
| | Security deposits | | **137,904** | 104,409 |
| | Advances from customers | 8.1 | **234,644** | 175,379 |
| | Workers' (Profit) Participation Fund | 8.2 | **20,990** | 420,417 |
| | Workers' Welfare Fund | | **97,810** | 156,626 |
| | Federal excise duty payable | | **-** | 64,561 |
| | Sales tax payable (net) | | **3,566** | 74,413 |
| | Withholding tax | | **49,244** | 23,735 |
| | Other liabilities | 8.3 | **121,413** | 107,588 |
| | Compensated absences | 7.1 | **15,244** | 13,097 |
| | Unclaimed dividend | | **27,084** | 23,881 |
| | | | **1,558,258** | 1,968,031 |

**8.1** This includes advance against cement sales from associated company amounting to Rs. 1.26 million (2016: Rs. 0.7 million).

| | | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| 8.2 | **Workers' (Profit) Participation Fund (WPPF)** | | |
| | Balance at beginning of the year | **420,417** | 14,920 |
| | Interest on funds utilized in the Company's business | **4,757** | 242 |
| | Allocation for the year | **210,991** | 420,417 |
| | Payment to the fund during the year | **(615,175)** | (15,162) |
| | | **20,990** | 420,417 |
| | Allocation for the year is made up as follows: | | |
| | Profit for the year before tax, WPPF and WWF | **4,219,816** | 8,408,349 |
| | Charge for the year at the rate of 5% | **210,991** | 420,417 |

8.3 This includes payable to employee's retirement benefit fund (FCCL employee's provident fund) amounting to Rs. 8.6 million (2016: Rs. 8.2 million).

## 9 SHORT TERM BORROWINGS (SECURED) - CONVENTIONAL BANKS

The Company has short term running finance facility limits to the tune of Rs. 2,250 million (2016: Rs. 1,775 million) from banking companies. These facilities are secured against first pari passu charge by way of hypothecation over the present and future assets of the Company (excluding land and building) retaining 25% margin. These facilities carry markup ranging from 1-month KIBOR plus 0.25% to 1% (2016: 1-month KIBOR plus 0.25% to 1%) per annum of the utilized amount and payable on a quarterly basis. Allied Bank Limited is the security trustee and inter creditor agent on behalf of all the first pari passu lenders.

| | | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| 10 | **PROVISION FOR TAXATION - NET** | | |
| | Opening balance at 01 July | **312,893** | (365,701) |
| | Provision recognized during the year | **1,462,738** | 2,371,949 |
| | Payments made during the year | **(1,447,959)** | (1,693,355) |
| | Closing balance at 30 June | **327,672** | 312,893 |

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

a) The Custom Authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated 14 May 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery, the Custom Authorities raised a demand of Rs. 828.348 million in respect of items which are considered by the Federal Board of Revenue (FBR) as not qualifying for the concessionary rate of duty. The status of the cases included in the above amount is as follows:

## Notes To The Financial Statements For The Year Ended 30 June 2017

(i) The custom case of Rs. 337.227 million was decided in favour of the Company by the Honorable Sindh High Court (SHC). On an appeal filed by the custom authorities to Honorable Supreme Court of Pakistan against decision of SHC, the matter was referred back by the Honorable Supreme Court to custom authorities for review. Thereafter, the Deputy Collector, then Collector (Appeals) and finally Custom Appellate Tribunal decided the case against the Company and the Company has filed an appeal before Sindh High Court.

(ii) Case for Rs. 15.797 million was decided by the Honourable Supreme Court of Pakistan against the Company. Review Petition filed by the Company against the decision of Supreme Court of Pakistan has been dismissed by the Court.

(iii) Case for Rs. 87.442 million is pending before the Sindh High Court.

(iv) Demand for Rs. 39.285 million is pending with the Custom Authorities.

(v) A demand of Rs. 20.257 million has been raised by the Assistant Collector of Customs on 21 September 2004 and the Company has asked for details of this claim.

(vi) Remaining amount of Rs. 328.34 million has been claimed by Custom Authorities by revising the total demand of custom duty as being short levied as per letter No. SI/NISC/IB/191/96-VI dated 31 December 1999.

The Company filed an application before FBR under Section 47A of the Sales Tax Act, 1990 and Section 195C of the Customs Act, 1969 for constitution of an Alternate Dispute Resolution Committee (ADRC) on the above cases. The proceedings of ADRC were concluded and final recommendations were forwarded to FBR, which were in the Company's favour. FBR has informed the Company that recommendations of ADRC are not acceptable and advised the Company to plead the cases in court of law. The management of the Company is confident of a favourable outcome, since the management believes that the goods imported by the Company (against which the purported duties have been assessed) were covered by statutory exemption issued by the Ministry of Finance in 1992, the grant of which was confirmed by the custom authorities through various documents obtained from the appropriate authorities.

**b)** A claim for damages amounting to Euros 833,120 equivalent Pak Rs. 99.80 (2016: Rs. 93.77) million was in a tribunal of Arbitrators by the supplier of plant and machinery against which the Company had filed a counter claim of Euros 410,914 equivalent Pak Rs. 49.22 (2016: Rs. 46.25) million and Rs. 11.284 million (less the aggregate sum of equivalent Pak Rs. 37.37 million previously recovered / adjusted by the Company). In the arbitration proceedings between the supplier and the Company, awards were passed by each arbitrator appointed by each party. As a result of the difference in opinion of the two arbitrators, the matter was referred to an umpire, on whose recommendations the supplier filed the award in the Court of Senior Civil Judge Islamabad, for the same to be made a rule of court. The Court dismissed the supplier's case in February 2014. The management believes that the Company has strong grounds to argue the case in the court and accordingly, no liability has been recognized in these financial statements.

**c)** The Company is contesting a claim of damages amounting to Rs. 19.75 million filed by a supplier of plant and machinery arising from encashment by the Company of bank

## Notes To The Financial Statements For The Year Ended 30 June 2017

guarantee amounting to Rs. 5.32 million which is appearing under payables in these financial statements. Islamabad High Court stayed the case in 2009 for appointment of arbitrators to decide the matter. Under the law, it was the responsibility of the supplier to appoint / nominate its arbitrator but it has not yet appointed any arbitrator to resolve the matter.

**d)** Competition Commission of Pakistan (CCP) has issued a show cause notice dated 28 October 2008 to 21 cement manufacturers (including the Company) under section 30 of the Competition Ordinance, 2007 ("Ordinance") and imposed a penalty of Rs. 266 million on the Company. The cement manufacturers (including the Company) have filed a petition in Lahore High Court (Court) and challenged the CCP order in the Court. The Court has passed an order dated 24 August 2009 restraining CCP from taking any adverse action against the Company. An amended writ petition challenging applicability of Ordinance was filed on 01 October 2009 in the Court. Based on expert legal advice, the management is confident that the case will be decided in favour of the Company.

**e)** The Company is contingently liable in respect of guarantees amounting to Rs. 438 million (2016: Rs. 341 million) issued by banks on behalf of the Company in the normal course of business. These guarantees are secured against margin / lien on bank deposits and against first pari passu ranking charge by way of hypothecation over the present and future assets of the Company (excluding land and building) retaining 25% margin.

**f)** For tax related contingencies refer note 29.1.

**11.2 Commitments**

**11.2.1** The Company has opened letters of credit for the import of spare parts, coal and plant valuing Rs. 776 million (2016: Rs. 147 million).

**11.2.2** The Company has capital commitments of Rs. 921 million (2016: Rs 248).

## Notes To The Financial Statements For The Year Ended 30 June 2017

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Building on freehold land | Plant and machinery | Stores held for capital expenditure | Office equipment | Computers | Electric installation and other equipment | Furniture and fittings | Motor vehicles | Quarry road and development | Capital work in progress (Note:12.3) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees'000 | | | | | | | | | | | |
| **Cost** | | | | | | | | | | | | |
| Balance at 01 July 2015 | 148,452 | 5,345,523 | 26,620,687 | 33,688 | 14,367 | 62,294 | 93,195 | 28,423 | 179,012 | 27,855 | 40,768 | 32,594,264 |
| Additions | 4,771 | - | 25,357 | - | 2,237 | 10,452 | 1,982 | 6,889 | 9,773 | - | 95,944 | 157,405 |
| Written off | - | (117,742) | (1,123,803) | - | - | - | - | - | - | - | - | (1,241,545) |
| Disposals | - | - | - | - | - | (2,098) | (5) | - | (5,811) | - | - | (7,914) |
| Transfers | - | 86,315 | 25,788 | - | - | - | - | - | 3,970 | - | (116,073) | - |
| **Balance at 30 June 2016** | 153,223 | 5,314,096 | 25,548,029 | 33,688 | 16,604 | 70,648 | 95,172 | 35,312 | 186,944 | 27,855 | 20,639 | 31,502,210 |
| Balance as at 01 July 2016 | **153,223** | **5,314,096** | **25,548,029** | **33,688** | **16,604** | **70,648** | **95,172** | **35,312** | **186,944** | **27,855** | **20,639** | **31,502,210** |
| Additions | **-** | **-** | **-** | **-** | **2,288** | **7,019** | **3,565** | **6,104** | **27,168** | **-** | **1,575,137** | **1,621,281** |
| Disposals | **-** | **-** | **-** | **-** | **-** | **(5,349)** | **-** | **-** | **(29,790)** | **-** | **-** | **(35,139)** |
| Transfers | **-** | **-** | **34,914** | **-** | **-** | **-** | **-** | **-** | **1,692** | **-** | **(36,606)** | **-** |
| **Balance at 30 June 2017** | **153,223** | **5,314,096** | **25,582,943** | **33,688** | **18,892** | **72,318** | **98,737** | **41,416** | **186,014** | **27,855** | **1,559,170** | **33,088,352** |
| **Accumulated depreciation** | | | | | | | | | | | | |
| Balance at 01 July 2015 | - | 1,612,151 | 6,775,255 | 10,886 | 8,731 | 55,498 | 81,598 | 19,828 | 121,909 | 27,855 | - | 8,713,711 |
| Charge for the year | - | 219,957 | 1,099,163 | 3,253 | 1,330 | 6,352 | 3,223 | 2,774 | 21,038 | - | - | 1,357,090 |
| On written off | - | (22,783) | (239,258) | - | - | - | - | - | - | - | - | (262,041) |
| On disposals/written off | - | - | - | - | - | (1,984) | (5) | - | (5,811) | - | - | (7,800) |
| **Balance at 30 June 2016** | - | 1,809,325 | 7,635,160 | 14,139 | 10,061 | 59,866 | 84,816 | 22,602 | 137,136 | 27,855 | - | 9,800,960 |
| Balance at 01 July 2016 | **-** | **1,809,325** | **7,635,160** | **14,139** | **10,061** | **59,866** | **84,816** | **22,602** | **137,136** | **27,855** | **-** | **9,800,960** |
| Charge for the year | **-** | **218,625** | **1,057,203** | **3,244** | **1,467** | **8,005** | **2,776** | **3,395** | **21,282** | **-** | **-** | **1,315,997** |
| On disposals | **-** | **-** | **-** | **-** | **-** | **(5,134)** | **-** | **-** | **(27,414)** | **-** | **-** | **(32,548)** |
| **Balance at 30 June 2017** | **-** | **2,027,950** | **8,692,363** | **17,383** | **11,528** | **62,737** | **87,592** | **25,997** | **131,004** | **27,855** | **-** | **11,084,409** |
| **Carrying amounts - 2017** | **153,223** | **3,286,146** | **16,890,580** | **16,305** | **7,364** | **9,581** | **11,145** | **15,419** | **55,010** | **-** | **1,559,170** | **22,003,943** |
| Carrying amounts - 2016 | 153,223 | 3,504,771 | 17,912,869 | 19,549 | 6,543 | 10,782 | 10,356 | 12,710 | 49,808 | - | 20,639 | 21,701,250 |
| Rates of depreciation (per annum) | - | 4%-12% | 4%-12% | 10% | 15% | 33.33% | 10%-15% | 15% | 25% | 10% | | |

12.1 Detail of disposals during the year is as follows:

| | Original cost | Book value | Sale proceeds | Gain / (loss) | Mode of disposal |
|---|---|---|---|---|---|
| | Rupees'000 | | | | |
| Vehicle | **2,938** | **273** | **1,900** | **1,627** | Auction |
| Vehicle | **2,557** | **853** | **250** | **(603)** | As per Company's policy to Ex-MD |
| Vehicle | **1,683** | **597** | **200** | **(397)** | As per Company's policy to an Ex-employee |
| Vehicle | **1,684** | **597** | **200** | **(397)** | As per Company's policy to an Ex-employee |
| Laptop | **172** | **90** | **83** | **(7)** | As per Company's policy to Ex-MD |
| Others (book value not exceeding Rs. 50,000 in aggregate) | **26,105** | **181** | **10,298** | **10,117** | |
| **2017** | **35,139** | **2,591** | **12,931** | **10,340** | |
| 2016 | 7,914 | 114 | 2,066 | 1,952 | |

## Notes To The Financial Statements For The Year Ended 30 June 2017

| | | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|---|
| **12.2** | **Depreciation charge for the year has been allocated as follows:** | | | |
| | Cost of sales | 22 | **1,296,055** | 1,339,219 |
| | Distribution cost | 23 | **4,686** | 4,574 |
| | Administrative expenses | 24 | **15,256** | 13,297 |
| | | | **1,315,997** | 1,357,090 |
| **12.3** | **Capital work in progress** | | | |
| | Plant and machinery | | **881,640** | - |
| | Civil works and related expenses | | **605,826** | 8,398 |
| | Advances for capital expenditure | | **71,704** | 12,241 |
| | | | **1,559,170** | 20,639 |
| **13** | **LONG TERM DEPOSITS AND PREPAYMENTS** | | | |
| | Islamabad Electric Supply Company Limited - non interest bearing | | **61,590** | 61,590 |
| | Sui Northern Gas Pipelines Limited - non interest bearing | | **25,011** | 25,011 |
| | Prepaid guarantee fee | | **-** | 70,132 |
| | | | **86,601** | 156,733 |
| **14** | **STORES, SPARES AND LOOSE TOOLS** | | | |
| | Stores | | **400,707** | 805,960 |
| | Spares (Including items in transit of Rs. 162 million (2016: Rs. 165 million)) | | **1,827,050** | 1,407,481 |
| | Provision for slow moving spares | | **(38,828)** | (38,828) |
| | | | **1,788,222** | 1,368,653 |
| | Loose tools | | **5,522** | 2,754 |
| | | | **2,194,451** | 2,177,367 |
| **15** | **STOCK IN TRADE** | | | |
| | Raw and packing material | | **146,330** | 125,247 |
| | Work in process | | **693,604** | 251,313 |
| | Finished goods | | **232,036** | 164,028 |
| | | | **1,071,970** | 540,588 |
| **16** | **TRADE DEBTS** | | | |
| | **Unsecured** | | | |
| | Considered good | | **894,062** | 497,811 |
| | Considered doubtful | | **3,281** | 3,281 |
| | | | **897,343** | 501,092 |
| | **Secured considered good** | | **254,556** | 71,290 |
| | Less: Provision for doubtful debts | | **(3,281)** | (3,281) |
| | | | **1,148,618** | 569,101 |

# Notes To The Financial Statements For The Year Ended 30 June 2017

## 17 ADVANCES

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| Advances - Considered good | | | |
| To suppliers - non interest bearing | | **80,677** | 216,407 |
| To employees - non interest bearing | | **2,324** | 1,640 |
| Current portion of long term advance - interest bearing | | **-** | 900 |
| | | **83,001** | 218,947 |

## 18 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITY

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| Deposits | | **17,994** | 9,224 |
| Prepayments | 18.1 | **5,336** | 7,369 |
| Excise duty refundable (net) | | **30,044** | - |
| | | **53,374** | 16,593 |

**18.1** This includes prepayment amounting to Rs. 1.2 million (2016: Rs. 1.2 million) paid to associated company - related party.

## 19 OTHER RECEIVABLES

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| Insurance claim | 28 | **585,346** | 979,504 |
| Other receivables - Considered good | | **2,508** | 1,151 |
| Margin on letter of guarantee | | **1,907** | 1,907 |
| | | **589,761** | 982,562 |

## 20 CASH AND BANK BALANCES

| | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| Cash at banks | | | |
| Deposit accounts - Conventional banks | 20.1, 20.3 & 20.4 | **255,072** | 569,545 |
| Deposit accounts - Islamic banks | | **200,252** | - |
| Current accounts - Conventional banks | | **62,253** | 41,449 |
| Current accounts - Islamic banks | | **50** | 100 |
| | | **517,627** | 611,094 |
| Banking instrument in hand - Conventional banks | | **-** | 52,001 |
| Banking instrument in hand - Islamic banks | | **-** | 1,002,029 |
| Cash in hand | | **210** | 455 |
| | | **517,837** | 1,665,579 |

## Notes To The Financial Statements For The Year Ended 30 June 2017

**20.1** Balances with banks include Rs. 140.4 million (2016: Rs. 104.4 million) in respect of security deposits received from customers and suppliers.

**20.2** Deposits of Rs. 4 million (2016: Rs. 4 million) with banks are under lien for letters of guarantee issued on behalf of the Company.

**20.3** This includes Term Deposit Receipts (TDRs) amounting to Rs. 139 million (2016: Rs. 93.6 million).

**20.4** Deposit accounts carry mark-up ranging from 3.21% to 6.28% (2016: 4.6% to 7.38%) per annum.

| **21 TURNOVER - NET** | **2017 Rupees'000** | 2016 Rupees'000 |
|---|---|---|
| Sales - Local | **26,709,608** | 22,444,001 |
| - Export | **725,146** | 2,128,910 |
| | **27,434,754** | 24,572,911 |
| Less: - Sales tax | **4,208,713** | 3,490,330 |
| - Excise duty | **2,800,854** | 1,032,713 |
| - Export development surcharge | **1,831** | 5,430 |
| | **7,011,398** | 4,528,473 |
| | **20,423,356** | 20,044,438 |

## Notes To The Financial Statements For The Year Ended 30 June 2017

| | | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|---|
| **22** | **COST OF SALES** | | | |
| | Raw materials consumed | | **539,296** | 918,941 |
| | Packing material consumed | | **809,781** | 914,326 |
| | Stores and spares consumed | | **32,175** | 42,166 |
| | Salaries, wages and benefits (including retirement benefits of Rs. 59.8 million (2016 : Rs. 59.7 million)) | | **1,126,515** | 1,088,910 |
| | Rent, rates and taxes | | **23,018** | 21,764 |
| | Insurance | | **85,101** | 93,135 |
| | Fuel consumed | | **1,847,540** | 3,739,333 |
| | Power consumed | | **1,766,324** | 1,710,382 |
| | Depreciation | 12.2 | **1,296,055** | 1,339,219 |
| | Repairs and maintenance | | **389,956** | 578,608 |
| | Technical assistance | | **14,998** | 15,354 |
| | Vehicle running and maintenance expenses | | **18,687** | 21,445 |
| | Printing and stationery | | **3,491** | 4,356 |
| | Travelling and conveyance | | **25,504** | 18,519 |
| | Communication, establishment and other expenses | | **22,412** | 25,093 |
| | Clinker purchases | | **8,509,997** | 19,564 |
| | | | **16,510,850** | 10,551,115 |
| | Add: Opening work-in-process | | **251,313** | 607,869 |
| | Closing work-in-process -unadjusted | | **-** | (266,094) |
| | Raw meal stock lost | | **-** | 14,781 |
| | Less: Closing work-in-process - adjusted | | **(693,604)** | (251,313) |
| | Cost of goods manufactured | | **16,068,559** | 10,907,671 |
| | Add: Opening finished goods | | **164,028** | 135,520 |
| | Less: Closing finished goods | | **(232,036)** | (164,028) |
| | | | **16,000,551** | 10,879,163 |
| | Less: Own consumption | | **(14,872)** | (7) |
| | | | **15,985,679** | 10,879,156 |

| | | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|---|
| 23 | **DISTRIBUTION COST** | | | |
| | Salaries, wages and benefits (including retirement benefits of Rs. 7.6 million (2016 : Rs. 7.4 million)) | | **131,090** | 123,959 |
| | Export freight and other charges | | **2,619** | 59,937 |
| | Travelling and conveyance | | **3,116** | 1,701 |
| | Vehicle running and maintenance expenses | | **2,726** | 2,391 |
| | Rent, rates and taxes | | **4,854** | 4,404 |
| | Repairs and maintenance | | **2,425** | 896 |
| | Printing and stationery | | **874** | 1,188 |
| | Depreciation | 12.2 | **4,686** | 4,574 |
| | Communication, establishment and other expenses | | **6,109** | 4,373 |
| | Advertisement and sale promotion expenses | | **7,533** | 5,069 |
| | Insurance | | **329** | 285 |
| | | | **166,361** | 208,777 |
| 24 | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries, wages and benefits (including retirement benefits of Rs. 15.6 million (2016: Rs. 15.3 million)) | | **253,077** | 239,273 |
| | Travelling and conveyance | | **11,022** | 9,756 |
| | Vehicle running and maintenance expenses | | **6,399** | 7,153 |
| | Insurance | | **1,081** | 1,032 |
| | Rent, rates and taxes | | **9,840** | 9,101 |
| | Repairs and maintenance | | **2,955** | 1,097 |
| | Printing and stationery | | **5,187** | 3,807 |
| | Communication, establishment and other expenses | | **17,703** | 15,664 |
| | Legal and professional charges | | **14,596** | 8,298 |
| | Depreciation | 12.2 | **15,256** | 13,297 |
| | Donations | 24.1 | **2,650** | 3,630 |
| | | | **339,766** | 312,108 |

**24.1** This includes Rs. 0.5 million (2016: Rs. 0.5 million) donated to Foundation University (related party) Phase - I DHA Islamabad. The following directors' interest in the university is limited to the extent of their involvement as directors:

| **2017** | 2016 |
|---|---|
| **Lt Gen (R) Khalid Nawaz Khan, HI(M)** | Lt Gen (R) Khalid Nawaz Khan, HI(M) |
| **Dr. Nadeem Inayat** | Maj Gen (R) Muhammad Farooq Iqbal , HI(M) |
| | Dr. Nadeem Inayat |

## Notes To The Financial Statements For The Year Ended 30 June 2017

| | | Note | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|---|
| **25** | **OTHER OPERATING EXPENSES** | | | |
| | Auditors' remuneration: | | | |
| | Annual audit | | **1,219** | 1,219 |
| | Half yearly review | | **180** | 180 |
| | Out of pocket expenses | | **30** | 30 |
| | Other certifications | | **71** | 71 |
| | | | **1,500** | 1,500 |
| | Workers' (Profit) Participation Fund | 8 | **210,991** | 420,417 |
| | Workers' Welfare Fund | | **78,604** | 156,626 |
| | | | **291,095** | 578,543 |
| **26** | **FINANCE COST** | | | |
| | Interest and other charges on long and short term borrowings- Conventional banks | | **129,714** | 387,559 |
| | Interest on Workers' Profit Participation Fund | | **4,757** | 242 |
| | Exchange losses - net | | **1,097** | 98,658 |
| | Bank charges and commission - Conventional banks | | **17,392** | 16,887 |
| | | | **152,960** | 503,346 |
| **27** | **OTHER INCOME** | | | |
| | **Income from financial assets** | | | |
| | Income from deposits, advance and investments | | | |
| | - Conventional banks | | **11,964** | 136,007 |
| | - Islamic banks | | **23,168** | 18,390 |
| | Gain on re-measurement of investments classified as fair value through profit or loss -held for trading | | | |
| | - Conventional funds | | **23,565** | 55,353 |
| | - Islamic funds | | **5,815** | 1,514 |
| | | | **64,512** | 211,264 |
| | **Income from non financial assets** | | | |
| | Gain on disposal of property, plant and equipment | | **10,340** | 1,952 |
| | Others | | **62,032** | 55,582 |
| | | | **136,884** | 268,798 |
| **28** | **IMPAIRMENT LOSS** | | | |
| | Loss on property, plant and equipment | | **-** | 979,504 |
| | Less: Insurance claim receivable | | **-** | (979,504) |
| | | | **-** | - |

## Notes To The Financial Statements For The Year Ended 30 June 2017

In previous financial year on 29 May 2016 the CF Silo of cement manufacturing line having capacity of 7,200 tons per day (Line II) of the Company collapsed. As a result the coal mill of line II, a substation of coal mill of line I (having capacity of 3,700 MT clinker per day) and some equipment of raw milling area of line II were destroyed. The carrying value of these assets was de-recognized.

During the year, the Company received Rs. 700 million from insurance companies while the remaining amount of Rs. 585 million has been reflected as receivable in these financial statements. Refer to note 19 to these financial statements.

Subsequent to the year end, insurance claim amounting to Rs. 1,285.3 million is finalised and accepted by the Company. Difference between Rs. 1,285.3 million and previously recognized insurance claim of Rs. 979.5 million amounting to Rs. 305.8 million is taken to profit and loss account.

| | | 2017 Rupees'000 | 2016 Rupees'000 |
|---|---|---|---|
| **29** | **INCOME TAX EXPENSE** | | |
| | Current | | |
| | For the year | **1,444,870** | 2,372,334 |
| | Prior year | **17,868** | (385) |
| | | **1,462,738** | 2,371,949 |
| | Deferred | **(145,728)** | 92,157 |
| | | **1,317,010** | 2,464,106 |
| | Accounting profit for the year (Rupees '000) | **3,930,221** | 7,831,306 |
| | Applicable tax rate | **31%** | 32% |
| | Income tax at applicable rate (Rupees '000) | **1,218,368** | 2,506,018 |
| | Tax effect of income taxable at lower rates (Rupees '000) | **(42,854)** | (250,162) |
| | Tax effect of permanent differences (Rupees '000) | **(3,896)** | 4,952 |
| | Effect of super tax (Rupees '000) | **127,524** | 203,683 |
| | Prior year charge (Rupees '000) | **17,868** | (385) |
| | | **1,317,010** | 2,464,106 |

### 29.1 Income tax

**a)** For Assessment Year 2002-2003 appeal filed by the Company was rejected by the Commissioner Inland Revenue (Appeals). Accordingly, trade advances amounting to Rs. 13.96 million, excess cost of perquisite amounting to Rs. 3.17, expenses amounting to Rs. 1.39 and gain on disposal of vehicle amounting to Rs. 0.74 million were disallowed / included in income. Moreover, credit claimed amounting to Rs. 1.3 million were also disallowed. Company's appeal before ATIR against the order of the Commissioner Inland Revenue (Appeals) has not yet been adjudicated.

**b)** For the Tax Year 2005, expenses amounting to Rs. 65.49 million claimed on account of transportation charges were disallowed by the Assistant Commissioner Inland Revenue for non-withholding of income tax from payments made to the vendors. The Commissioner Inland Revenue (Appeals) upheld the order of the Assistant

## Notes To The Financial Statements For The Year Ended 30 June 2017

Commissioner Inland Revenue. The Company filed appeal before the Appellate Tribunal against the order of the Commissioner Inland Revenue (Appeals). While disposing off the appeal, the Appellate Tribunal has decided the case in Company's favor, thereby demand created by Assistant Commissioner Inland Revenue has become null and void. The Department has filed a reference to the Islamabad High Court against the order of Appellate Tribunal.

**c)** For the Tax Year 2011, while finalizing the audit of income tax of the Company, DCIR without giving opportunity of being heard, created a demand of Rs. 490 million by mainly disallowing finance cost and freight payments. Subsequent to the year end, the Company has filed an appeal before CIR (appeal) against the order of DCIR. CIR (appeals) has granted stay whereas main appeal has been fixed for hearing on 07 September 2017.

**d)** For Tax Year 2014, DCIR conducted the audit of income tax affairs of the Company and raised income tax demand amounting to Rs. 269 million which is mainly related to Alternate Corporate Tax. DCIR has recalculated the accounting profit of the Company after adjustment of certain disallowances and accordingly recalculated the liability of Alternate Corporate Tax. Commissioner Inland Revenue (Appeals) upheld the order of DCIR. Now the case is pending before ATIR for hearing.

**e)** For Tax Year 2015, AdCIR amended the Company's assessment and created a demand of Rs. 410 million by mainly disallowing the exchange losses and finance cost. Being erroneous the Company has filed rectification application to AdCIR which is not yet disposed off by AdCIR. In addition, subsequent to the year end, Company has filed appeal before Commissioner Inland Revenue (Appeals) against the order of AdCIR where the case is yet to be fixed for hearing. Moreover, for Tax Year 2015, DCIR issued an order under Income Tax Ordinance, 2001 and created a demand of Rs. 131 million by alleging that the Company has not deducted income tax on payment of profit on debt to different banks. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (appeals) against the order of DCIR.

**f)** For Tax Year 2016, AdCIR amended the Company's assessment and created a demand of Rs. 757 million mainly by disallowing the exchange losses and finance cost. Being erroneous the Company has filed rectification application to AdCIR which is not yet disposed off by AdCIR. In addition, subsequent to the year end, the Company has filed appeal before Commissioner Inland Revenue (Appeals) against the order of AdCIR where the case is yet to be fixed for hearing.

### 29.2 Sales tax

**a)** The Company filed appeal before Commissioner Inland Revenue (Appeal) against the order in original of DCIR for the recovery of Sales Tax, Federal Excise Duty and Special Excise Duty amounting to Rs. 312 million for the period from 01 July 2010 to 30 June 2012. Commissioner Inland Revenue (Appeals) remanded the case back to DCIR to pass a speaking order after going through the facts of the case. While giving appeal effect to the order of Commissioner Inland Revenue (Appeals), the DCIR changed the basis on which earlier assessment was made and increased the demand to Rs. 340 million. The Company filed the appeal before Commissioner Inland Revenue (Appeals) against the order of DCIR. On disposing off the Company's appeal, the Commissioner Inland Revenue (Appeals) held that the basis adopted by DCIR is no more in field as the matter has already been decided by the superior appellate authorities and therefore attained finality. Accordingly, the issue is decided in favor of the Company and demand ceases to exist. However, the Department has filed an appeal to Appellate Tribunal against the decision of Commissioner Inland Revenue (Appeals) and the case is not yet fixed for hearing.

**b)** For periods July 2012 to June 2013, July 2013 to June 2014, July 2014 to June 2015 and July 2015 to June 2016 DCIR created demand of sales tax amounting to Rs. 15.4 million, 19.9 million, 13.7 million and 16.5 million respectively. Without giving opportunity of being heard, DCIR created aforesaid demand by disallowing the rightfully claimed input tax credit of the Company on spare parts and fuel purchases. Subsequent to the year end, Company has filed appeals before Commissioner Inland Revenues (appeals) against the above demands which are not yet fixed for hearing.

No provision has been made in these financial statements other than those mentioned above in respect of outstanding issues as management is confident of a favorable outcome.

**29.3** Change in applicable income tax rate from 32% to 31% is due to change in relevant Income Tax laws.

## 30 EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| **30.1 Basic** | | |
| Profit after taxation (Rupees '000) | **2,613,211** | 5,367,200 |
| Profit attributable to ordinary shareholders (Rupees '000) | **2,613,211** | 5,367,200 |
| Weighted average number of ordinary shares (Numbers '000) | **1,379,815** | 1,347,349 |
| Earnings per share - basic (Rupees) | **1.89** | 3.98 |
| **30.2 Diluted** | | |
| Profit attributable to ordinary shareholders (Rupees '000) | **2,613,211** | 5,367,200 |
| Weighted average number of ordinary shares (Numbers '000) | **1,379,815** | 1,347,349 |
| Adjustment for conversion of preference shares (Numbers '000) | **-** | 16,233 |
| Weighted average number of ordinary shares in issue during the year (Numbers '000) | **1,379,815** | 1,363,582 |
| Earnings per share - diluted (Rupees) | **1.89** | 3.94 |

## 31 CASH AND CASH EQUIVALENTS

| | Note | **2017 Rupees'000** | 2016 Rupees'000 |
|---|---|---|---|
| Cash and bank balances | 20 | **517,837** | 1,665,579 |
| Short term borrowings | 9 | **(312,441)** | (78,037) |
| | | **205,396** | 1,587,542 |

## 32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts recognized during the year on account of remuneration, including benefits and perquisites, are as follows:

| | Chief Executive | | Executives | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | | Rupees'000 | | |
| Managerial remuneration | **15,821** | 16,474 | **402,449** | 340,109 |
| Bonus | **3,227** | 3,421 | **252,233** | 161,557 |
| Provident fund | **597** | 584 | **22,121** | 19,209 |
| Compensated absences | **1,046** | 818 | **17,557** | 12,213 |
| Utilities and upkeep | **1,191** | 508 | **54,147** | 48,097 |
| | **21,882** | 21,805 | **748,507** | 581,185 |
| Number of persons | **2** | 1 | **248** | 201 |

**32.1** In addition, the Chief Executive and certain executives were provided with Company's maintained cars as per Company's policy.

**32.2** Meeting fee of non-executive directors charged during the year was Rs. 3.3 million (2016: Rs. 2.5 million) and number of non-executive directors at year end were 8 (2016: 8).

**32.3** Number of persons include those who worked part of the year.

## 33 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes To The Financial Statements For The Year Ended 30 June 2017

**33.1** The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

| On-balance sheet financial instruments | Note | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit and loss | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **30 June 2017** | | Rupees '000 | | | | | | | |
| **Financial assets not measured at fair value** | 33.2 | | | | | | | | |
| Long term deposits | 13 | - | 86,601 | - | 86,601 | - | - | - | - |
| Trade debts - net of provision | 16 | - | 1,148,618 | - | 1,148,618 | - | - | - | - |
| Deposits | 18 | - | 17,994 | - | 17,994 | - | - | - | - |
| Interest accrued | | - | 2,663 | - | 2,663 | - | - | - | - |
| Other receivables | 19 | - | 589,761 | - | 589,761 | - | - | - | - |
| Cash and bank balances | 20 | - | 517,837 | - | 517,837 | - | - | - | - |
| | | - | 2,363,474 | - | 2,363,474 | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Long term financing | 6 & 33.2 | - | - | 1,489,222 | 1,489,222 | - | - | - | - |
| Creditors | 8 & 33.2 | - | - | 273,663 | 273,663 | - | - | - | - |
| Accrued liabilities | 8 & 33.2 | - | - | 539,085 | 539,085 | - | - | - | - |
| Retention money | 8 & 33.2 | - | - | 37,611 | 37,611 | - | - | - | - |
| Security deposits | 8 & 33.2 | - | - | 137,904 | 137,904 | - | - | - | - |
| Other liabilities | 8 & 33.2 | - | - | 121,413 | 121,413 | - | - | - | - |
| Unclaimed dividend | 8 & 33.2 | - | - | 27,084 | 27,084 | - | - | - | - |
| Compensated absences | 8 & 33.2 | - | - | 15,244 | 15,244 | - | - | - | - |
| Markup accrued | 33.2 | - | - | 43,991 | 43,991 | - | - | - | - |
| Short term borrowings | 33.2 | - | - | 312,441 | 312,441 | - | - | - | - |
| | | - | - | 2,997,658 | 2,997,658 | - | - | - | - |

# Notes To The Financial Statements For The Year Ended 30 June 2017

| On-balance sheet financial instruments | Note | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit and loss | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **30 June 2016** | | | | | Rupees '000 | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Short term investments | | 1,324,485 | - | - | 1,324,485 | 1,324,485 | - | - | 1,324,485 |
| **Financial assets not measured at fair value** | 33.2 | | | | | | | | |
| Long term deposits | 13 | - | 86,601 | - | 86,601 | - | - | - | - |
| Trade debts - net of provision | 16 | - | 569,101 | - | 569,101 | - | - | - | - |
| Advances | | - | 900 | - | 900 | - | - | - | - |
| Deposits | 18 | - | 9,224 | - | 9,224 | - | - | - | - |
| Interest accrued | | - | 4,447 | - | 4,447 | - | - | - | - |
| Other receivables | 19 | - | 982,562 | - | 982,562 | - | - | - | - |
| Cash and bank balances | 20 | - | 1,665,579 | - | 1,665,579 | - | - | - | - |
| | | - | 3,318,414 | - | 3,318,414 | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Long term financing - secured | 6 & 33.2 | - | - | 4,015,177 | 4,015,177 | - | - | - | - |
| Creditors | 8 & 33.2 | - | - | 117,959 | 117,959 | - | - | - | - |
| Accrued liabilities | 8 & 33.2 | - | - | 645,138 | 645,138 | - | - | - | - |
| Retention money | 8 & 33.2 | - | - | 40,828 | 40,828 | - | - | - | - |
| Security deposits | 8 & 33.2 | - | - | 104,409 | 104,409 | - | - | - | - |
| Other liabilities | 8 & 33.2 | - | - | 107,588 | 107,588 | - | - | - | - |
| Unclaimed dividend | 8 & 33.2 | - | - | 23,881 | 23,881 | - | - | - | - |
| Compensated absences | 8 & 33.2 | - | - | 13,097 | 13,097 | - | - | - | - |
| Markup accrued | 33.2 | - | - | 76,265 | 76,265 | - | - | - | - |
| Short term borrowings - secured | 33.2 | - | - | 78,037 | 78,037 | - | - | - | - |
| | | - | - | 5,222,379 | 5,222,379 | - | - | - | - |

## Notes To The Financial Statements For The Year Ended 30 June 2017

**33.2** The Company has not disclosed the fair value for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**33.3** The Company has exposure to the credit risk, market risk and liquidity risk from its use of financial instruments.

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**33.4 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, advances and deposits, interest accrued, other receivables, margin on letter of guarantee, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure.

The Company's credit risk exposures is categorized under the following headings:

**Trade debts and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customers/dealers. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

**Concentration of credit risk**

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

| | 2017 | 2016 |
|---|---|---|
| | (Rupees' 000) | |
| From Government institutions | **86,601** | 86,601 |
| Banks and financial institutions | **520,290** | 4,014,003 |
| Others | **1,476,869** | 540,940 |
| | **2,083,760** | 4,641,544 |

**Credit quality of financial assets**

The credit quality of the Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

| **Trade debts** | 2017 | 2016 |
|---|---|---|
| | Rupees' 000 | |
| Counterparties without external credit ratings | | |
| existing customers with no default in the past | **1,148,618** | 569,101 |

**Impairment losses**

The aging of trade debts at the reporting date was:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| | Rupees' 000 | | Rupees' 000 | |
| Past due 1-30 days | **738,430** | **-** | 325,729 | - |
| Past due 31-60 days | **266,987** | **-** | 106,215 | - |
| Past due 61-90 days | **93,802** | **-** | 76,285 | - |
| Over 90 days | **52,680** | **3,281** | 64,153 | 3,281 |
| | **1,151,899** | **3,281** | 572,382 | 3,281 |

The movement in allowance for impairment in respect of trade debts during the year was as follows:

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| Balance at 1 July | **3,281** | 3,281 |
| Impairment loss adjustment | **-** | - |
| Balance at 30 June | **3,281** | 3,281 |

# Notes To The Financial Statements For The Year Ended 30 June 2017

Based on past experience, the management believes that no further impairment allowance is necessary in respect of carrying amount of trade debts.

The allowance account in respect of trade debts is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

**Cash at Bank**

The Company held cash at bank of Rs. 517.6 million at 30 June 2017 (2016: Rs. 1,665 million). Cash at bank is held with banks and financial institution, which are rated AAA to A- based on PACRA rating.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| Long term deposits | 13 | **86,601** | 86,601 |
| Trade debts - net of provision | 16 | **1,148,618** | 569,101 |
| Advances | | **-** | 900 |
| Deposits | 18 | **17,994** | 9,224 |
| Interest accrued | | **2,663** | 4,447 |
| Other receivables | 19 | **589,761** | 982,562 |
| Short term investments | | **-** | 1,324,485 |
| Bank balances | 20 | **517,627** | 611,094 |
| | | **2,363,264** | 3,588,414 |

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date is with end - user customers and represents debtors within the country .

The Company's most significant customer is an end user from whom Rs. 184 million (2016: Rs. 185 million) was outstanding and which is included in total carrying amount of trade debtors as at 30 June 2017.

Certain trade debts are secured against letter of guarantee and security deposits. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

The Company limits its exposure to credit risk by investing only in liquid securities and placing funds with banks that have high credit rating. Management actively monitors credit rating and given that the Company only has placed funds in the banks with high credit ratings, management does not expect any counter party to fail to meet its obligations.

| | 2017 | 2016 |
|---|---|---|
| | (Rupees' 000) | |
| **Long term deposits** | | |
| Counterparties with external credit ratings of A+ | **25,011** | 25,011 |
| Counterparties without external credit ratings | **61,590** | 61,590 |
| **Deposits** | | |
| Counterparties without external credit ratings | **17,994** | 9,224 |
| **Interest accrued** | | |
| Counterparties with external credit ratings AA+ to AA | **2,663** | 4,447 |
| **Other receivables** | | |
| Counterparties with external credit ratings A+ to A | **588,430** | 981,736 |
| Counterparties without external credit ratings | **1,331** | 826 |
| **Short term investments** | | |
| Counterparties with external credit ratings AA(f) to A(f) | **-** | 1,324,485 |
| **Bank balances** | | |
| Counterparties with external credit ratings from AAA to A- | **517,627** | 611,094 |

## 33.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 9 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

# Notes To The Financial Statements For The Year Ended 30 June 2017

| | Carrying amount | Contractual cash flows | Up to one year | One to two years | Two to five years | Five years onwards |
|---|---|---|---|---|---|---|
| **2017** | | | **Rupees '000** | | | |
| Long term loans and mark-up accrued | **1,533,213** | **1,650,172** | **503,667** | **475,151** | **671,354** | **-** |
| Trade and other payables | **1,152,004** | **1,152,004** | **1,152,004** | **-** | **-** | **-** |
| Short term borrowings | **312,441** | **312,441** | **312,441** | **-** | **-** | **-** |
| | **2,997,658** | **3,114,617** | **1,968,112** | **475,151** | **671,354** | **-** |
| 2016 | | | | | | |
| Long term loans and mark-up accrued | 4,088,398 | 4,310,212 | 2,653,719 | 506,741 | 1,043,807 | 105,945 |
| Trade and other payables | 1,052,900 | 1,052,900 | 1,052,900 | - | - | - |
| Short term borrowings | 78,037 | 78,037 | 78,037 | - | - | - |
| | 5,219,335 | 5,441,149 | 3,784,656 | 506,741 | 1,043,807 | 105,945 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**33.5.1** The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in note 6 and 9 to these financial statements.

## 33.6 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 change in credit rating of the issuer or the instrument, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

### 33.6.1 Foreign Currency risk

The PKR is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items; and
- Transactional exposure in respect of non functional currency expenditure and revenues.

**Transactional exposure in respect of non functional currency monetary items**

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

## Notes To The Financial Statements For The Year Ended 30 June 2017

**Transactional exposure in respect of non functional currency expenditures and revenues**

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. During the year the Company has not entered into forward exchange contracts.

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Rupees '000** | **USD '000** | Rupees '000 | USD '000 |
| Long term financing | **-** | **-** | 1,532,997 | 14,628 |
| Trade and other payables | **-** | **-** | 104,800 | 1,000 |

The following significant exchange rate applied during the year:

| | **Average rates** | | **Balance sheet date rate** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| US Dollars | **104.86** | 103.33 | **104.91** | 104.8 |

**Sensitivity**

An increase of 3% in exchange rate at the reporting date would have decreased profit or loss by the amounts shown below.

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Profit or loss** | | Profit or loss | |
| | **Gross exposure** | **Net of tax exposure** | Gross exposure | Net of tax exposure |
| | **Rupees '000** | | | |
| Long term financing | **-** | **-** | 49,134 | 33,411 |

A 3% decrease in exchange rate would have had an equal but opposite effect to the amount shown above.

**33.6.2 Interest rate risk**

The 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 interest rate exposure arises from short and long term borrowings from banks and deposits with banks. At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments is:

## Notes To The Financial Statements For The Year Ended 30 June 2017

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Effective interest rates | | Carrying Amount Rupees '000 | |
| Fixed rate instruments | | | | |
| Financial assets | **3.21% - 6.28%** | 4.6% - 7.38% | **455,324** | 570,445 |
| Variable rate instruments | | | | |
| Financial liabilities | **1 month KIBOR to 6 month KIBOR + 0.25% to 0.1%** | 1 month KIBOR to 6 month KIBOR + 0.25% to 0.1% | **1,801,663** | 4,093,214 |

**Fair value sensitivity analysis for fixed rate instruments**

The Company is not exposed to interest rate risk on its fixed rate instruments

**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 2016.

| | Profit or loss 100 basis points | 100 basis points |
|---|---|---|
| | Rupees '000 | |
| **Cash flow sensitivity (net)** | | |
| Variable rate instruments | **(6,572)** | **6,572** |
| 30 June 2017 | **(6,572)** | **6,572** |
| Variable rate instruments | (12,802) | 12,802 |
| 30 June 2016 | (12,802) | 12,802 |

**33.6.3 Market price risk**

For investments at fair value through profit or loss-held for trading a 3% increase/decrease in market price at reporting date would have increased/decreased profit for the year by Nil (2016: Rs. 40 million).

**Sensitivity analysis – equity price risk**

For quoted investments classified as held for trading, a 1 percent increase in market price at reporting date would have increased profit or loss by Nil (2016: Rs. 1.32 million); an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2016 and assumes that all other variables remain the same.

# Notes To The Financial Statements For The Year Ended 30 June 2017

| Assets carried at fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| | | Rupees '000 | |
| **2017** | | | |
| Financial assets at fair value through profit or loss - held for trading | - | - | - |
| 2016 | | | |
| Financial assets at fair value through profit or loss - held for trading | 1,324,485 | - | - |

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

**Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

**Non - derivative financial assets**

The fair value of non - derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

**Investments at fair value through profit or loss-held for trading**

The fair value of investments held for trading is determined with reference to their quoted closing repurchase price at the reporting date.

**Non - derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**33.7 Capital management**

The Board'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 Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity and monitors that the Company has appropriate mix of capital and debt. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratios under the financing agreements.

## 34 RELATED PARTY TRANSACTIONS AND BALANCES

Fauji Foundation holds 39.40% (2016: 39.40%) ordinary shares of the Company at the year-end, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Balances and transactions with related parties are shown in note 4, 8.1, 8.3, 18.1 and 24.1 to the financial statements. Transactions and balances with related parties other than those disclosed elsewhere in these financial statements are as follows:

| | 2017<br>Rupees'000 | 2016<br>Rupees'000 |
|---|---|---|
| **Transactions and balances with associated undertakings / companies due to common directorship** | | |
| - Sale of cement | 19,619 | 12,085 |
| - Payment for use of medical facilities | 1,149 | 328 |
| - Payable on account of medical facilities | 14 | - |
| - Payment on account of clearance of shipments | 47 | 498 |
| - Payable on account of clearance of shipments | 215 | 79 |
| - Preference dividend paid | - | 240,785 |
| - Dividend paid on ordinary shares | 674,900 | 2,120,377 |
| - Payment of rent and utilities | 16,845 | 11,672 |
| - Balance at Askari Bank Limited (AKBL) | 27 | 296 |
| - Profit received from deposit account (AKBL) | 21 | 105 |
| - Investment made in Askari Investment Management Limited (AIML) | - | 853,952 |
| - Bonus units / dividend received from investment in AIML | 4,372 | 3,993 |
| - Investment matured during the year from AIML | 206,389 | 655,954 |
| - Unrealized gain from investment at AIML | - | 26 |
| - Balance at AIML - mutual fund | - | 202,017 |
| - Payments to Askari Cement Limited on account of clinker purchase | 652,165 | - |
| - Payable to Askari Cement Limited on account of clinker purchase | 14,288 | - |
| **Employees Funds** | | |
| - Payments made into the fund | 41,229 | 35,721 |
| **Others** | | |
| - Remuneration to key management personnel (other than Chief Executive) | 61,525 | 69,418 |

# Notes To The Financial Statements For The Year Ended 30 June 2017

| | | 2017 Metric Tons | 2016 Metric Tons |
|---|---|---|---|
| 35 | **PLANT CAPACITY AND ACTUAL PRODUCTION - CEMENT** | | |
| | Current installed capacity | **3,433,500** | 3,433,500 |
| | Actual production | **2,925,042** | 2,822,230 |

Difference is due to supply demand situation of the market.

## 36 EMPLOYEES PROVIDENT FUND TRUST

| | 2017 | 2016 |
|---|---|---|
| Size of the Fund (Rupees'000) | **566,389** | 453,593 |
| Cost of investments made (Rupees'000) | **495,484** | 394,274 |
| Percentage of investments made (%) | **87.48** | 86.92 |
| Fair value of investments (Rupees'000) | **533,241** | 422,066 |

Breakup of cost of investment is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Rupees'000** | **% of full** | Rupees'000 | % of full |
| NSC Saving Certificates | **227,893** | **46** | 227,893 | 58 |
| Term deposits in different banks | **-** | | 400 | - |
| Term finance certificates | **4,987** | **1** | 4,990 | 1 |
| Mutual funds | **262,604** | **53** | 160,991 | 41 |
| | **495,484** | **100** | 394,274 | 100 |

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 37 GENERAL

### 37.1 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs. 315 million and Rs. 2,900 million (2016: Rs. 315 million and Rs. 2,900 million) respectively are available to the Company. Letters of guarantees are secured by way of hypothecation charge on present and future assets of the Company (excluding land and building) and lien on bank deposits / margin.

### 37.2 Number of persons employed

| | 2017 Numbers | 2016 Numbers |
|---|---|---|
| Employees at year end | **1,239** | 1,181 |
| Average employees during the year | **1,233** | 1,250 |

**37.3** These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 20 September 2017.

Chief Executive

Director

# Pattern of Share-holding

| No. of Shareholder | Shareholdings From | Shareholdings To | No of Share held |
|---|---|---|---|
| 355 | 1 | 100 | 11,868 |
| 1555 | 101 | 500 | 738,801 |
| 1662 | 501 | 1,000 | 1,637,258 |
| 2932 | 1,001 | 5,000 | 8,949,270 |
| 1180 | 5,001 | 10,000 | 9,805,895 |
| 459 | 10,001 | 15,000 | 6,027,558 |
| 334 | 15,001 | 20,000 | 6,288,012 |
| 252 | 20,001 | 25,000 | 5,991,928 |
| 165 | 25,001 | 30,000 | 4,726,894 |
| 85 | 30,001 | 35,000 | 2,828,409 |
| 109 | 35,001 | 40,000 | 4,252,412 |
| 53 | 40,001 | 45,000 | 2,305,144 |
| 152 | 45,001 | 50,000 | 7,523,124 |
| 45 | 50,001 | 55,000 | 2,406,490 |
| 40 | 55,001 | 60,000 | 2,369,000 |
| 35 | 60,001 | 65,000 | 2,223,668 |
| 37 | 65,001 | 70,000 | 2,543,750 |
| 28 | 70,001 | 75,000 | 2,082,264 |
| 23 | 75,001 | 80,000 | 1,812,500 |
| 19 | 80,001 | 85,000 | 1,601,545 |
| 18 | 85,001 | 90,000 | 1,585,000 |
| 11 | 90,001 | 95,000 | 1,022,310 |
| 120 | 95,001 | 100,000 | 11,984,570 |
| 6 | 100,001 | 105,000 | 628,000 |
| 15 | 105,001 | 110,000 | 1,634,500 |
| 10 | 110,001 | 115,000 | 1,139,000 |
| 8 | 115,001 | 120,000 | 944,450 |
| 25 | 120,001 | 125,000 | 3,106,373 |
| 11 | 125,001 | 130,000 | 1,411,040 |
| 6 | 130,001 | 135,000 | 799,000 |
| 8 | 135,001 | 140,000 | 1,112,500 |
| 12 | 140,001 | 145,000 | 1,716,146 |
| 23 | 145,001 | 150,000 | 3,444,500 |
| 2 | 150,001 | 155,000 | 307,500 |
| 8 | 155,001 | 160,000 | 1,271,517 |
| 7 | 160,001 | 165,000 | 1,136,490 |
| 7 | 165,001 | 170,000 | 1,185,500 |
| 10 | 170,001 | 175,000 | 1,737,000 |
| 10 | 175,001 | 180,000 | 1,782,100 |
| 6 | 180,001 | 185,000 | 1,095,500 |
| 2 | 185,001 | 190,000 | 371,500 |
| 4 | 190,001 | 195,000 | 773,500 |
| 34 | 195,001 | 200,000 | 6,799,000 |
| 10 | 200,001 | 205,000 | 2,031,723 |
| 4 | 205,001 | 210,000 | 835,000 |
| 3 | 210,001 | 215,000 | 641,500 |
| 4 | 215,001 | 220,000 | 871,540 |
| 10 | 220,001 | 225,000 | 2,244,646 |
| 4 | 225,001 | 230,000 | 915,500 |
| 2 | 230,001 | 235,000 | 461,000 |
| 1 | 235,001 | 240,000 | 239,500 |
| 6 | 240,001 | 245,000 | 1,463,000 |

# Pattern of Share-holding

| No. of Shareholder | Shareholdings | | No of Share held |
|---|---|---|---|
| | From | To | |
| 16 | 245,001 | 250,000 | 3,994,105 |
| 3 | 250,001 | 255,000 | 755,599 |
| 8 | 255,001 | 260,000 | 2,066,242 |
| 3 | 260,001 | 265,000 | 795,000 |
| 2 | 265,001 | 270,000 | 534,597 |
| 5 | 270,001 | 275,000 | 1,370,500 |
| 2 | 275,001 | 280,000 | 551,500 |
| 3 | 285,001 | 290,000 | 863,791 |
| 1 | 290,001 | 295,000 | 291,500 |
| 14 | 295,001 | 300,000 | 4,192,500 |
| 3 | 300,001 | 305,000 | 907,500 |
| 1 | 305,001 | 310,000 | 309,500 |
| 4 | 315,001 | 320,000 | 1,274,200 |
| 3 | 325,001 | 330,000 | 987,000 |
| 1 | 330,001 | 335,000 | 333,500 |
| 1 | 335,001 | 340,000 | 340,000 |
| 2 | 340,001 | 345,000 | 683,000 |
| 12 | 345,001 | 350,000 | 4,198,500 |
| 2 | 350,001 | 355,000 | 708,500 |
| 4 | 355,001 | 360,000 | 1,434,500 |
| 1 | 360,001 | 365,000 | 365,000 |
| 1 | 365,001 | 370,000 | 367,000 |
| 5 | 370,001 | 375,000 | 1,868,126 |
| 2 | 375,001 | 380,000 | 756,500 |
| 1 | 380,001 | 385,000 | 385,000 |
| 11 | 395,001 | 400,000 | 4,397,500 |
| 2 | 400,001 | 405,000 | 808,120 |
| 3 | 405,001 | 410,000 | 1,220,500 |
| 3 | 410,001 | 415,000 | 1,236,621 |
| 1 | 420,001 | 425,000 | 420,500 |
| 6 | 445,001 | 450,000 | 2,696,350 |
| 1 | 455,001 | 460,000 | 460,000 |
| 1 | 475,001 | 480,000 | 476,000 |
| 14 | 495,001 | 500,000 | 6,996,500 |
| 1 | 505,001 | 510,000 | 507,500 |
| 2 | 515,001 | 520,000 | 1,037,000 |
| 3 | 520,001 | 525,000 | 1,567,000 |
| 2 | 525,001 | 530,000 | 1,055,000 |
| 1 | 540,001 | 545,000 | 543,500 |
| 3 | 545,001 | 550,000 | 1,648,500 |
| 1 | 550,001 | 555,000 | 555,000 |
| 1 | 555,001 | 560,000 | 560,000 |
| 2 | 570,001 | 575,000 | 1,150,000 |
| 1 | 575,001 | 580,000 | 576,651 |
| 1 | 585,001 | 590,000 | 590,000 |
| 2 | 590,001 | 595,000 | 1,185,500 |
| 5 | 595,001 | 600,000 | 3,000,000 |
| 1 | 605,001 | 610,000 | 607,500 |
| 1 | 620,001 | 625,000 | 621,500 |
| 1 | 625,001 | 630,000 | 626,500 |
| 2 | 640,001 | 645,000 | 1,283,900 |
| 1 | 650,001 | 655,000 | 650,500 |

# Pattern of Share-holding

| No. of Shareholder | Shareholdings From | To | No of Share held |
|---|---|---|---|
| 2 | 665,001 | 670,000 | 1,335,500 |
| 1 | 675,001 | 680,000 | 676,000 |
| 2 | 695,001 | 700,000 | 1,400,000 |
| 1 | 700,001 | 705,000 | 704,500 |
| 2 | 720,001 | 725,000 | 1,446,500 |
| 1 | 735,001 | 740,000 | 736,000 |
| 1 | 740,001 | 745,000 | 745,000 |
| 4 | 745,001 | 750,000 | 2,990,064 |
| 1 | 750,001 | 755,000 | 755,000 |
| 1 | 770,001 | 775,000 | 770,500 |
| 6 | 795,001 | 800,000 | 4,800,000 |
| 1 | 805,001 | 810,000 | 810,000 |
| 1 | 815,001 | 820,000 | 820,000 |
| 1 | 820,001 | 825,000 | 822,000 |
| 1 | 830,001 | 835,000 | 833,307 |
| 1 | 845,001 | 850,000 | 846,500 |
| 1 | 880,001 | 885,000 | 881,500 |
| 1 | 895,001 | 900,000 | 900,000 |
| 2 | 900,001 | 905,000 | 1,802,283 |
| 1 | 945,001 | 950,000 | 950,000 |
| 1 | 985,001 | 990,000 | 988,500 |
| 13 | 995,001 | 1,000,000 | 13,000,000 |
| 2 | 1,000,001 | 1,005,000 | 2,005,001 |
| 1 | 1,005,001 | 1,010,000 | 1,005,400 |
| 1 | 1,010,001 | 1,015,000 | 1,015,000 |
| 1 | 1,025,001 | 1,030,000 | 1,027,500 |
| 1 | 1,040,001 | 1,045,000 | 1,043,000 |
| 1 | 1,045,001 | 1,050,000 | 1,050,000 |
| 1 | 1,065,001 | 1,070,000 | 1,065,050 |
| 1 | 1,100,001 | 1,105,000 | 1,100,250 |
| 1 | 1,110,001 | 1,115,000 | 1,111,300 |
| 1 | 1,115,001 | 1,120,000 | 1,116,500 |
| 1 | 1,140,001 | 1,145,000 | 1,145,000 |
| 2 | 1,145,001 | 1,150,000 | 2,297,000 |
| 1 | 1,170,001 | 1,175,000 | 1,173,500 |
| 1 | 1,190,001 | 1,195,000 | 1,193,000 |
| 1 | 1,200,001 | 1,205,000 | 1,201,000 |
| 4 | 1,245,001 | 1,250,000 | 5,000,000 |
| 1 | 1,265,001 | 1,270,000 | 1,266,088 |
| 1 | 1,295,001 | 1,300,000 | 1,300,000 |
| 1 | 1,335,001 | 1,340,000 | 1,338,000 |
| 2 | 1,345,001 | 1,350,000 | 2,697,000 |
| 1 | 1,395,001 | 1,400,000 | 1,396,000 |
| 1 | 1,400,001 | 1,405,000 | 1,401,000 |
| 1 | 1,410,001 | 1,415,000 | 1,414,100 |
| 1 | 1,420,001 | 1,425,000 | 1,420,152 |
| 1 | 1,425,001 | 1,430,000 | 1,426,000 |
| 1 | 1,465,001 | 1,470,000 | 1,466,901 |
| 2 | 1,495,001 | 1,500,000 | 3,000,000 |
| 1 | 1,530,001 | 1,535,000 | 1,531,000 |
| 1 | 1,575,001 | 1,580,000 | 1,580,000 |
| 1 | 1,580,001 | 1,585,000 | 1,583,875 |

## Pattern of Share-holding

| No. of Shareholder | Shareholdings From | To | No of Share held |
|---|---|---|---|
| 2 | 1,595,001 | 1,600,000 | 3,200,000 |
| 1 | 1,615,001 | 1,620,000 | 1,615,500 |
| 1 | 1,650,001 | 1,655,000 | 1,653,500 |
| 1 | 1,670,001 | 1,675,000 | 1,673,900 |
| 1 | 1,680,001 | 1,685,000 | 1,681,250 |
| 1 | 1,735,001 | 1,740,000 | 1,739,500 |
| 1 | 1,770,001 | 1,775,000 | 1,772,000 |
| 2 | 1,785,001 | 1,790,000 | 3,579,500 |
| 1 | 1,800,001 | 1,805,000 | 1,804,000 |
| 1 | 1,820,001 | 1,825,000 | 1,822,000 |
| 1 | 1,890,001 | 1,895,000 | 1,892,944 |
| 1 | 1,950,001 | 1,955,000 | 1,955,000 |
| 1 | 1,975,001 | 1,980,000 | 1,976,867 |
| 5 | 1,995,001 | 2,000,000 | 10,000,000 |
| 1 | 2,030,001 | 2,035,000 | 2,030,500 |
| 1 | 2,050,001 | 2,055,000 | 2,052,500 |
| 1 | 2,075,001 | 2,080,000 | 2,076,000 |
| 1 | 2,195,001 | 2,200,000 | 2,200,000 |
| 1 | 2,235,001 | 2,240,000 | 2,236,500 |
| 2 | 2,390,001 | 2,395,000 | 4,788,390 |
| 1 | 2,395,001 | 2,400,000 | 2,400,000 |
| 1 | 2,505,001 | 2,510,000 | 2,508,000 |
| 1 | 2,590,001 | 2,595,000 | 2,594,002 |
| 1 | 2,790,001 | 2,795,000 | 2,792,500 |
| 1 | 2,900,001 | 2,905,000 | 2,903,100 |
| 1 | 2,935,001 | 2,940,000 | 2,935,500 |
| 1 | 2,995,001 | 3,000,000 | 3,000,000 |
| 1 | 3,130,001 | 3,135,000 | 3,133,500 |
| 1 | 3,140,001 | 3,145,000 | 3,144,000 |
| 1 | 3,305,001 | 3,310,000 | 3,310,000 |
| 1 | 3,330,001 | 3,335,000 | 3,333,000 |
| 1 | 3,360,001 | 3,365,000 | 3,364,500 |
| 1 | 3,410,001 | 3,415,000 | 3,414,000 |
| 1 | 3,435,001 | 3,440,000 | 3,436,500 |
| 1 | 3,480,001 | 3,485,000 | 3,481,000 |
| 1 | 3,530,001 | 3,535,000 | 3,532,438 |
| 1 | 3,580,001 | 3,585,000 | 3,582,000 |
| 1 | 3,645,001 | 3,650,000 | 3,646,000 |
| 1 | 3,750,001 | 3,755,000 | 3,753,000 |
| 1 | 3,890,001 | 3,895,000 | 3,891,500 |
| 1 | 4,025,001 | 4,030,000 | 4,029,352 |
| 1 | 4,030,001 | 4,035,000 | 4,032,401 |
| 1 | 4,255,001 | 4,260,000 | 4,256,000 |
| 1 | 4,740,001 | 4,745,000 | 4,744,000 |
| 1 | 5,495,001 | 5,500,000 | 5,497,971 |
| 1 | 5,500,001 | 5,505,000 | 5,504,000 |
| 1 | 5,520,001 | 5,525,000 | 5,522,100 |
| 1 | 5,540,001 | 5,545,000 | 5,540,500 |
| 1 | 5,805,001 | 5,810,000 | 5,805,500 |
| 1 | 5,845,001 | 5,850,000 | 5,850,000 |
| 1 | 5,855,001 | 5,860,000 | 5,857,000 |
| 1 | 5,890,001 | 5,895,000 | 5,893,000 |

# Pattern of Share-holding

| No. of Shareholder | Shareholdings From | Shareholdings To | No of Share held |
|---|---|---|---|
| 1 | 6,610,001 | 6,615,000 | 6,613,500 |
| 1 | 6,860,001 | 6,865,000 | 6,863,750 |
| 1 | 6,930,001 | 6,935,000 | 6,932,000 |
| 1 | 6,995,001 | 7,000,000 | 7,000,000 |
| 1 | 7,180,001 | 7,185,000 | 7,180,500 |
| 1 | 7,500,001 | 7,505,000 | 7,501,500 |
| 1 | 7,895,001 | 7,900,000 | 7,900,000 |
| 1 | 9,010,001 | 9,015,000 | 9,013,800 |
| 1 | 9,575,001 | 9,580,000 | 9,577,500 |
| 1 | 9,785,001 | 9,790,000 | 9,790,000 |
| 1 | 10,395,001 | 10,400,000 | 10,400,000 |
| 1 | 12,580,001 | 12,585,000 | 12,582,500 |
| 1 | 13,395,001 | 13,400,000 | 13,400,000 |
| 1 | 16,495,001 | 16,500,000 | 16,500,000 |
| 2 | 18,745,001 | 18,750,000 | 37,500,000 |
| 1 | 19,790,001 | 19,795,000 | 19,791,000 |
| 1 | 20,185,001 | 20,190,000 | 20,185,500 |
| 1 | 20,430,001 | 20,435,000 | 20,434,250 |
| 1 | 23,035,001 | 23,040,000 | 23,037,000 |
| 1 | 26,765,001 | 26,770,000 | 26,767,000 |
| 1 | 48,695,001 | 48,700,000 | 48,699,187 |
| 1 | 93,745,001 | 93,750,000 | 93,750,000 |
| 1 | 494,950,001 | 494,955,000 | 494,951,055 |
| **10,266** | | | **1,379,815,025** |

# Category Wise Shareholding
## As at June 30, 2017

| Ser # | Shareholder's Category | No of Shareholders | Share Held | Percentage |
|---|---|---|---|---|
| 1. | Directors, Chief Executive Officers, and their spouse and minor childern | 11 | 547,857 | 0.0397% |
| 2. | Associated Companies,undertakings and Related Parties | 5 | 674,900,242 | 48.9124% |
| 3. | NIT and ICP | 0 | 0 | 0.0000% |
| 4. | Banks Development Financial Institutions, Non Banking Financial Institutions. | 22 | 54,348,400 | 3.9388% |
| 5. | Insurance Companies | 24 | 12,599,672 | 0.9131% |
| 6. | Modarabas | 7 | 305,000 | 0.0221% |
| 7. | Mutual Funds | 63 | 73,850,092 | 5.3522% |
| 8. | **General Public** | | | |
| | a. Local | 9816 | 389,742,851 | 28.2460% |
| | b. Foreign | 12 | 825,000 | 0.0598% |
| 9. | **Other (to be Specified)** | | | |
| | a. Investment Companies | 7 | 1,686,600 | 0.1222% |
| | b. Joint Stock Companies | 165 | 83,847,048 | 6.0767% |
| | c. Pension Funds | 10 | 4,606,000 | 0.3338% |
| | d. Foreign Companies | 52 | 70,133,488 | 5.0828% |
| | e. Other | 72 | 12,422,775 | 0.9003% |
| | **Total Paid up** | **10,266** | **1,379,815,025** | **100.0000%** |
| 10. | **Shareholders holding 10% or more of the total Capital** | | | |
| | a. Committee of Admin Fauji Foundation | | 543,650,242 | 39.4002% |
| 11. | **Shareholders holding 5% or more of the total Capital** | | | |
| | a. Fauji Fertilizer Company Limited (CDC) | | 93,750,000 | 6.79% |

# FINANCIAL CALENDAR 2018

The Company Financial Year starts from July 1st and ends at June 30 each year. Tentative schedule for Announcement of Financial Results in 2018 is as under:-

| | |
|---|---|
| Annual General Meeting | 30 October 2017 (Monday) |
| First Quarter ending 30 September 2017 | Last week of October 2017 |
| Second Quarter ending 31 December 2017 | Last week of February 2018 |
| Third Quarter ending 31 March 2018 | Last week of April 2018 |
| Year ending 30 June 2018 | Last Week of September 2018 |

## Catagories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2017

| Sr. No. | Name | No. of Shares Held | Percentage |
|---|---|---|---|
| | **ASSOCIATED COMPANIES, UNDERTAKINGS AND REL ATED PARTIES (NAME WISE DETAIL)** | | |
| 1 | COMMITTEE OF ADMIN. FAUJI FOUNDATION (CDC) | 494,951,055 | 35.8708 |
| 2 | FAUJI FOUNDATION | 48,699,187 | 3.5294 |
| 3 | FAUJI FERTILIZER BIN QASIM LIMITED | 18,750,000 | 1.3589 |
| 4 | FAUJI OIL TERMINAL & DISTRIBUTION | 18,750,000 | 1.3589 |
| 5 | FAUJI FERTILIZER COMPANY LTD (CDC) | 93,750,000 | 6.7944 |
| | | **674,900,242** | **48.9100%** |
| | **MUTUAL FUNDS (NAME WISE DETAIL)** | | |
| 1 | CDC - TRUSTEE AKD INDEX TRAKER FUND (CDC) | 159,850 | 0.0116 |
| 2 | CDC - TRUSTEE AL MEEZAN MUTUAL FUND (CDC) | 3,646,000 | 0.2642 |
| 3 | CDC-TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC) | 4,744,000 | 0.3438 |
| 4 | CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC) | 3,333,000 | 0.2416 |
| 5 | CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC) | 822,000 | 0.0596 |
| 6 | CDC -TRUSTEE ALFALAH GHP INCOME FUND - MT (CDC) | 24,500 | 0.0018 |
| 7 | CDC -TRUSTEE ALFALAH GHP INCOME MULTIPIER FUND - MT (CDC) | 12,400 | 0.0009 |
| 8 | CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND (CDC) | 498,500 | 0.0361 |
| 9 | CDC - TRUSTEE APF-EQUITY SUB FUND (CDC) | 260,000 | 0.0188 |
| 10 | CDC - TRUSTEE APIF - EQUITY SUB FUND (CDC) | 385,000 | 0.0279 |
| 11 | CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND (CDC) | 75,000 | 0.0054 |
| 12 | CDC - TRUSTEE ASKARI EQUITY FUND (CDC) | 87,000 | 0.0063 |
| 13 | CDC - TRUSTEE ASKARI HIGH YEILD SECHME - MT (CDC) | 881,500 | 0.0639 |
| 14 | CDC - TRUSTEE ATLAS INCOME FUND - MT (CDC) | 736,000 | 0.0533 |
| 15 | CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC) | 2,400,000 | 0.1739 |
| 16 | CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC) | 2,935,500 | 0.2127 |
| 17 | CDC - TRUSTEE DAWOOD ISLAMIC FUND (CDC) | 35,000 | 0.0025 |
| 18 | CDC - TRUSTEE FAYSAL MTS FUND - MT (CDC) | 3,500 | 0.0003 |
| 19 | CDC - TRUSTEE FAYSAL SAVING GROWTH FUND - MT (CDC) | 58,500 | 0.0042 |
| 20 | CDC - TRUSTEE FRIST CAPITAL MUTUAL FUND (CDC) | 65,000 | 0.0047 |
| 21 | CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC) | 35,000 | 0.0025 |
| 22 | CDC - TRUSTEE FIRST HABIB INCOME FUIND - MT (CDC) | 275,000 | 0.0199 |
| 23 | CDC - TRUSTEE FIRST HABIB STOCK FUIND (CDC) | 75,000 | 0.0054 |
| 24 | CDC - TRUSTEE KSE MEEZAN INDEX FUND (CDC) | 1,583,875 | 0.1148 |
| 25 | CDC - TRUSTEE LAKSON EQUITY FUND - MT (CDC) | 30,500 | 0.0022 |
| 26 | CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT (CDC) | 68,500 | 0.0050 |
| 27 | CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC) | 2,500 | 0.0002 |
| 28 | CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND (CDC) | 50,000 | 0.0036 |
| 29 | CDC - TRUSTEE MEEZAN BANALCED FUND (CDC) | 2,236,500 | 0.1621 |
| 30 | CDC - TRUSTEE MEEZAN ISLAMIC FUND (CDC) | 20,185,500 | 1.4629 |
| 31 | CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT (CDC) | 33,500 | 0.0024 |
| 32 | CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 1,673,900 | 0.1213 |
| 33 | CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND (CDC) | 3,582,000 | 0.2596 |
| 34 | CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I (CDC) | 12,000 | 0.0009 |
| 35 | CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II (CDC) | 32,600 | 0.0024 |
| 36 | CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC) | 3,144,000 | 0.2279 |
| 37 | CDC - TRUSTEE NAFA MULTI ASSET FUND (CDC) | 50,500 | 0.0037 |
| 38 | CDC - TRUSTEE NAFA STOCK FUND (CDC) | 5,857,000 | 0.4245 |
| 39 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 1,976,867 | 0.1433 |
| 40 | CDC - TRUSTEE NIT ISLAMIC EQUITY FUND (CDC) | 3,436,500 | 0.2491 |
| 41 | CDC - TRUSTEE NIT-EQUITY MARKET OPPRTUNITY FUND (CDC) | 3,481,000 | 0.2523 |
| 42 | CDC -TRUSTTE PAKISTAN CAPITAL MARKET FUND (CDC) | 150,000 | 0.0109 |

| Sr. No. | Name | No. of Shares Held | Percentage |
|---|---|---|---|
| 43 | CDC - TRUSTEE PAKISTAN INCOME FUND - MT (CDC) | 5,000 | 0.0004 |
| 44 | CDC - TRUSTEE PIML ASSET ALLOCATION FUND (CDC) | 250,000 | 0.0181 |
| 45 | CDC - TRUSTEE PIML ISLAMIC EQUITY FUND (CDC) | 195,000 | 0.0141 |
| 46 | CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND (CDC) | 115,000 | 0.0083 |
| 47 | CDC - TRUSTEE PIML VALUE EQUITY FUND (CDC) | 95,000 | 0.0069 |
| 48 | CDC - TRUSTEE UBL GROWTH & INCOME FUND (CDC) | 272,500 | 0.0197 |
| 49 | CDC - TRUSTEE UBL STOCJ ADVANTAGE FUND (CDC) | 704,500 | 0.0511 |
| 50 | CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC) | 526,000 | 0.0381 |
| 51 | CDC - TRUSTEE UNITED FROWTH & INCOME FUND - MT (CDC) | 175,100 | 0.0127 |
| 52 | CDC - TRUSTEE AL-AMEEN RET. SAV. FUND - EQUITY SUB FUND (CDC) | 642,500 | 0.0466 |
| 53 | CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND (CDC) | 25,500 | 0.0018 |
| 54 | CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND (CDC) | 170,000 | 0.0123 |
| 55 | CDC-TRUSTEE NAFA ASSET ALLOCATION FUND (CDC) | 327,000 | 0.0237 |
| 56 | CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT (CDC) | 103,000 | 0.0075 |
| 57 | CDC-TRUSTEE NITIPF EQUITY SUB-FUND (CDC) | 130,000 | 0.0094 |
| 58 | CDC-TRUSTEE NITPF EQUITY SUB-FUND (CDC) | 114,000 | 0.0083 |
| 59 | M C B F S L-TRUSTEE ASKARI SILAMIC ASSET ALLOCATION FUND (CDC) | 50,000 | 0.0036 |
| 60 | MCBFSL-TRUSTEE NAFA INCOME FUND - MT (CDC) | 318,500 | 0.0231 |
| 61 | MCBFSL-TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND (CDC) | 230,000 | 0.0167 |
| 62 | MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND (CDC) | 265,000 | 0.0192 |
| 63 | MCBFSL - TRUSTEE MCB PAKISTAN FREQUENT PAY OUT FUND - MT (CDC) | 2,000 | 0.0001 |
| | Total | **73,850,092** | **5.3522** |

**DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN (NAME WISE DETAIL):**

| | | | |
|---|---|---|---|
| 1 | LT GEN KHALID NAWAZ KHAN (RETD),HI(M),SITARA-I-ESAR | 1 | 0.0000 |
| 2 | LT GEN MUHAMMAD AHSAN MAHMOOD (RETD),HI(M) | 1 | 0.0000 |
| 3 | MAJ GEN TAHIR ASHRAF KHAN (RETD),HI(M) | 1 | 0.0000 |
| 4 | MAJ GEN WASIM SADIQ (RETD),HI(M) | 1 | 0.0000 |
| 5 | MR. QAISER JAVED | 1 | 0.0000 |
| 6 | DR. NADEEM INAYAT | 1 | 0.0000 |
| 7 | BRIG RAASHID WALI JANJUA (RETD),SI (M) | 1 | 0.0000 |
| 8 | BRIG ASMAT ULLAH KHAN NIAZI (RETD),SI(M) | 500 | 0.0000 |
| 9 | MR. PERVEZ INAM (CDC) | 446,350 | 0.0323 |
| 10 | MR. JAWAID IQBAL (CDC) | 7,500 | 0.0005 |
| 11 | MRS. YASMEEN PERVEZ W/O MR. PERVEZ INAM (CDC) | 93,500 | 0.0068 |
| | Total | **547,857** | **0.0397** |

| | | |
|---|---|---|
| Executive | - | - |
| Public Sector Companies & Corporation | - | - |
| Banks, Development Finance Institution, Non Banking Finance Companies, Insurance Companies, Takaful , Modarabas and pension Funds | 71,859,072 | 5.2079% |
| Shareholders holding 10% or more (Committee of Admin. Fauji Foundation) | 543,650,242 | 39.4002% |
| Shareholders holding 5% or more (Fauji Fertilizer Company Limited(CDC)) | 93,750,000 | 6.79% |

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

| S.No | NAME | SALE | PURCHASE |
|---|---|---|---|
| 1 | LT GEN MUHAMMAD AHSAN MAHMOOD (RETD),HI(M) | 0 | 1 |
| 2 | MAJ GEN TAHIR ASHRAF (RETD),HI(M) | 0 | 1 |
| 3 | MAJ GEN WASIM SADIQ (RETD),HI(M) | 0 | 1 |

# NOTICE OF 25TH ANNUAL GENERAL MEETING

Notice is hereby given that the **25th Annual General Meeting** of the shareholders of Fauji Cement Company Limited (FCCL) will be held at Hotel Pearl Continental The Mall, Rawalpindi, **on 30th October 2017 (Monday) at 1100 hours** to transact the following business:-

**ORDINARY BUSINESS**

1. To confirm the minutes of 24th Annual General Meeting held on 30th November 2016.
2. To consider, approve and adopt Annual Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended 30th June 2017.
3. To appoint Statutory Auditors of the Company for the year ending 30th June 2018 and fix their remuneration. The present Auditor M/s KPMG Taseer Hadi & Co Chartered Accountants, retired and being eligible, offered themselves for re-appointment.
4. To approve payment of **Final Dividend of Rs.0.90** per share for the year ended 30th June 2017 as recommended by the Board of Directors.

**SPECIAL BUSINESS**

5. To alter Article of Association of the Company and to substitute Article 89, 90, 96 and 97 and to pass the following resolution, with or without modification as a **Special Resolution**:-

**"RESOLVED** that Article 89, 90, 96 and 97 of the Article of Association of the Company be substituted as follow:-

**89 DIVIDEND PAYMENT THROUGH ELECTRONIC MODE**

a. The Company shall pay any dividend payable in cash through electronic mode directly into the Bank accounts designated by the entitled shareholders.

b. Any dividend declared by the company shall be paid to its registered shareholders within such period as may be specified.

c. Intimate the Pakistan Stock Exchange Limited immediately as soon as the entire dividend is paid through electronic mode directly into the Bank account of the members / shareholders.

d. Dividend shall be deemed to have been declared on the date of the General Meeting in case of a Dividend declared or approved in the General Meeting and on the date of commencement of closing of share transfer for purposes of determination of entitlement of Dividend in the case of an interim Dividend and where register of members is not closed for such purpose, on the date on which such dividend is approved by the Board.

**90 UNCLAIMED SHARES, MODARABA CERTIFICATES AND DIVIDEND TO VEST WITH THE FEDERAL GOVERNMENT**

a. Where shares of a Company or modaraba certificates of a modaraba have been issued; or

b. Where dividend has been declared by a Company or modaraba; which remain unclaimed or unpaid for a period of three years from the date it is due and payable, or

c. Any other instrument or amount which remain unclaimed or unpaid, having such nature and for such period as may be specified; the Company shall give **(90)** ninety days notices to the shareholders or certificate holders or the owner, as the case may be to file claim, in the following manner-:-

(1) By a registered post acknowledgment due on his last known address; and

(2) After expiry of Notice period as provided under clause (a),final notice in the specified form shall be published in two daily Newspapers of which one will be in Urdu and one in English having wide circulation.

d. If no claim is made before the Company by the shareholder, certificate holder or the owner, as the case may be, the Company shall after ninety days from the date of publication of notice under clause (b) of sub-section (1) shall:-

(1) In case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government; and.

(2) In case of shares or modaraba certificates or other instrument, report and deliver to the Commission such shares or modaraba certificates or other instrument and the Commission shall sell such shares or modaraba certificates or other instrument, as the case may be, in the manner and within such period as may be specified and deposit the proceeds to the credit of Federal Government.

**96 CIRCULATION OF AUDITED FINANCIAL STATEMENTS AND NOTICE OF ANNUAL GENERAL MEETING**

a. A Copy of Directors' Report, Auditors' Report ,Annual balance sheet, profit and loss account along with Notices of Annual General Meeting shall be circulated to its members through CD/DVD/USB at their Registered addresses however, if a Member prefers to receive hard copies for all the future Annual Audited Accounts then such preference of the members shall be given to the Company in writing and there after the Company shall provide hard copies of all the future Annual Audited Accounts to such Member.

b. Company shall be bound to provide hard copies of all the future Annual Audited Accounts to those members only, who request the Company, in writing, to receive hard copies of the same.

**97. COMPLIANCE WITH THE ACT**

The Directors shall in all respects comply with the provisions of Section 220 to 239 of the Companies Act, 2017 as applicable in regard to the accounts of the Company. The Company shall in all respects also comply with the rules and regulations of the Pakistan Stock Exchange as may be applicable in this regard.

"**FURTHER RESOLVED** that Company Secretary be and is hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to this resolution**".**

**"ALSO RESOLVED** that in case of any omission or mistake if pointed out by the Commission (SECP) and any other competent authority in the aforesaid resolutions the Company Secretary be and is hereby authorized to make necessary corrections as permitted under the law in letter and spirit**".**

**OTHER BUSINESS**

6. To transact any other business with permission of the Chairman.

The Statement of Material Facts under section 136(1) (b) of the Companies Act 2017 is being sent to shareholder with the notice.

By Order of the Board

Rawalpindi
**9th October 2017**

Brig Ch Zafar Iqbal (Retd)
**Company Secretary**

**NOTES**

1. The Share Transfer Books of the Company will remain closed from **24th October 2017 to 30th October 2017** (both days inclusive).Transfer received in order at our Share Registrar M/s Corplink (Pvt) (Ltd), Wings Arcades, 1-K Commercial, Model Town Lahore, Pakistan **at close of business on Monday, 23rd October 2017** shall be treated in time for the purpose of Annual General Meeting and payment of cash dividend, if approved by the shareholders.

2. A member of the Company entitled to attend and vote at Annual General Meeting may appoint a person /representative as proxy to attend and vote in place of member at the Meeting. Proxies in order to be effective, must be received at Company's Registered Office located at Fauji Towers,Block-III,68 Tipu Road, Chaklala, Rawalpindi,Pakistan duly stamped and signed not less than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.

3. CDC/Sub Account Holders are required to follow the under mentioned guide line as laid down by Securities and Exchange Commission of Pakistan:-

   a. **FOR ATTENDING THE MEETING**

      (1) In case of individuals, the account holder or sub Account Holders shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

      (2) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures of the nominee shall be produced at the time of meeting.

   b. **FOR APPOINTING PROXIES**

      (1) In case of individuals, the Account Holder or Sub Account Holder shall submit the proxy form as per the above requirement.

      (2) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

      (3) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

      (4) The Proxy shall produce his/her original CNIC or original passport at the time of meeting.

      (5) In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted to the Company along with proxy form.

4. **E-VOTING**

   Pursuant to SECP S.R.O. No. 43 (I) / 2016 dated 22$^{nd}$ January 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment of Execution Officer by the Intermediary as a Proxy.

5. **VIDEO CONFERENCE FACILITY**

   Pursuant to SECP Circular No 10 dated 21$^{st}$ May 2014, if the Company receives consent from members holding in aggregate **10%** or more shareholding residing at Lahore and Karachi, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

6. **CONSENT FOR VIDEO CONFERENCE FACILITY**

   As allowed by SECP vide Circular No. 10 of 2014 dated 21$^{st}$ May 2014, members can avail video conference facility for this Annual General Meeting, at Lahore and Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, at least 10 days prior to date of the meeting. Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility. In this regard please send a duly signed request as per following format at the registered address of the Company 10 days before holding of General Meeting.

   I / We, __________________ of _______________ being a member **Fauji Cement Company Limited** holder of ________ Ordinary Share(s) as per Registered Folio No. _______ hereby opt for video conference facility at ___________.

7. Annual Audited Financial Statements of the Company for the financial year ended 30th June 2017 have been provided on the Company's website i.e. www.fccl.com.pk.

8. **DIVIDEND MANDATE**

a. The provisions of Section **242** of the Companies Act, 2017 and Circular No 18/2017 dated 1st August 2017 provides that any dividend declared by a Company must be paid to its registered shareholders or to their order within such period and in such manner as may be specified. Further, the second Provision of the said section states that in case of a Listed Company, any dividend payable in cash shall only be paid through electronic mode directly into the Bank account designated by the entitled shareholders with effect from 1st November 2017.

b. Therefore, the Registered Shareholders of **FAUJI CEMENT COMPANY LIMITED**, are requested to provide the following details to our Share Registrar in order to credit their cash dividends directly to their bank account, if declared:-

(1) In case of book-entry securities in CDS, to CDS Participants; and.

(2) In case of physical securities to the Company's Share Registrar as mentioned below.

| | | | |
|---|---|---|---|
| a. | Shareholder's Name | : | |
| b. | Father's / Husband's Name | : | |
| c. | Folio Number | : | |
| d. | Postal Address | : | |
| e. | Name of Bank | : | |
| f. | Name of Branch | : | |
| g. | Address of Branch | : | |
| h. | Title of Bank Account | : | |
| i. | Bank Account Number (Complete with code) | : | |
| j. | IBAN Number * (Complete with code) | : | |
| k. | Cell Number | : | |
| l. | Telephone Number (if any) | : | |
| m. | CNIC Number (attach copy) | : | |
| n | NTN (in case of corporate entity, attach copy) | : | |

***IBAN number (International Bank Account Number) will be provided by your banker, containing alpha, numric and without any space and gap.**

c. It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

**(Shareholders, Signature should agree with the record of the Bank)**

9. **TAX DEDUCTION ON DIVIDEND INCOME**

a. This is with reference to final cash dividend announced by Fauji Cement Limited at the rate of **PKR 0.90**/- Per Share (**i.e .9%)** to the shareholders for the year ended 30th June 2017.

b. Please note that dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2015 effective from 1st July 2016, the **'Filer' and 'Non-Filer'** shareholders will pay tax @ **15%** and **20%** respectively. The **'Filer'** shareholders will be determined by matching their CNIC Numbers or National Tax Numbers (NTN) available in Active Taxpayers List (ATL) uploaded by FBR at their website http://www.fbr.gov.pk from the CNIC Numbers or National Tax Numbers (NTN) maintained by your Participant or CDC Investor Account Services or by us (in case of physical shareholding).

c. Further, according to recent clarification provided by FBR withholding tax will be determined separately on '**Filer / Non-Filer** 'status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions.

d. In the light of above, kindly arrange to provide us shareholding proportions of yourself as Principal shareholder and your Joint Holder(s) in below chart in respect of share(s) held under your Folio / CDS Account number enabling us to compute withholding tax of each shareholder accordingly:-

| **Name of Principal Shareholder /Joint Holders** | **Shareholding Proportions** | **CNIC Number (Copy Attached)** | **Signature** |
|---|---|---|---|
| Principal Shareholder | | | |
| Joint Shareholder 1 | | | |
| Joint Shareholder 2 | | | |
| Joint Shareholder 3 | | | |

e. Kindly ensure that the required information is delivered to us along with photocopy of your valid CNICs on or before **23rd October 2017,** otherwise, it will be assumed that the shares in above mentioned Folio/CDS Account are equally held by each share holder and withholding tax will be computed accordingly based on '**Filer/Non-Filer**' status of the Principal and Joint Holder(s).

10. Members are requested to promptly notify any change in their address.

11. **STATEMENT AS REQUIRED BY SECTION 136 (1) (B) OF THE COMPANIES ACT 2017**

a. The Articles of Articles Association of the Company are required to be altered in order to incorporate provision pertaining to the following in light of various Regulation, Circulars and Notification of the Securities and Exchange Commission of Pakistan and Companies Act 2017:-

(1) **Article 89**. Dividend Payment through Electronic Mode.

(2) **Article 90**. Unclaimed shares, modaraba certificates and dividend to vest with the Federal Government.

(3) **Article 96**. Circulations of Annual Audited Accounts and Notice of Annual General Meeting.

(4) **Article 97** .Compliance with the Companies Act 2017.

b. For this purpose, the above resolution is proposed to be passed as a Section Resolution.

c. The Board of Directors has recommended alteration in the Article of Association of the Company by inserting above Articles **89, 90, 96 and 97** is part of the resolution mentioned in the notice.

d. Directors have no interest, direct or indirect in the said Special Business.

12. For any further assistance, the members may contact the Company or the Share Registrar at the following address:-

. **Registered Office**

Fauji Cement Company Limited,
Fauji Towers, Block-III,
68 Tipu Road, Chaklala, Rawalpindi, Pakistan
Telephone: +92-051-9280081-83
Website: www.fccl.com.pk

**Share Registrar**

M/s Corplink (Pvt) (Ltd)
Wings Arcade 1-K Commercial,
Model Town Lahore, Pakistan
Tel : +92-042-35916714-19,
: +092-042-35839182
Fax :+092-042-35869037
Email: corplink786@gmail.com
Website: www.Corplink.com.pk

# FAUJI CEMENT COMPANY LIMITED

## STATEMENT OF MATERIAL FACTS UNDER SECTION 136 (1) (B) OF THE COMPANIES ACT 2017 CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 30TH OCTOBER 2017

The **Board** of Directors have recommended that the proposals should be presented before the shareholders of the Company at the Annual General Meeting for alterations in the Memorandum and Articles of Association of the Company so as to meet the requirements of Companies Act 2017 / Rules / Regulations made there under from time to time. In this regard following alteration in the Articles of Association of the Company will be placed before the shareholders at the Annual General Meeting for consideration and approval, with or without modification, by Special Resolutions:

a. **ALTERATIONS IN VARIOUS ARTICLES OF ARTICLE ASSOCIATION OF THE COMPANY**

In order to comply with the requirements laid down in the Companies Act, 2017, SECP Regulations, Code of Corporate Governance and directives of the Securities and Exchange Commission of Pakistan, it is proposed to alter the Articles of Association of the Company and to substitute Article 89,90,96 and 97 with new Articles and to pass the following resolution, with or without modification, as a special resolution.

**89 DIVIDEND PAYMENT THROUGH ELECTRONIC MODE**

a. The Company shall pay any dividend payable in cash through electronic mode directly into the Bank accounts designated by the entitled shareholders.

b. Any dividend declared by the company shall be paid to its registered shareholders within such period as may be specified.

c. Intimate the Pakistan Stock Exchange Limited immediately as soon as the entire dividend is paid through electronic mode directly into the Bank account of the Members/ shareholders.

d. Dividend shall be deemed to have been declared on the date of the general meeting in case of a dividend declared or approved in the general meeting and on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend in the case of an interim dividend and where register of members is not closed for such purpose, on the date on which such dividend is approved by the Board.

**90 UNCLAIMED SHARES, MODARABA CERTIFICATES AND DIVIDEND TO VEST WITH THE FEDERAL GOVERNMENT**

a. Where shares of a Company or Moradabad Certificates of a Modaraba have been issued; or

b. Where dividend has been declared by a Company or Modaraba; which remain unclaimed or unpaid for a period of three years from the date it is due and payable, or.

c. Any other instrument or amount which remain unclaimed or unpaid, having such nature and for such period as may be specified; the Company shall give (90) ninety days notices to the shareholders or certificate holders or the owner, as the case may be to file claim, in the following manner-:-

(1) By a registered post acknowledgment due on his last known address; and

(2) After expiry of notice period as provided under clause (a), final notice in the specified form shall be published in two daily newspapers of which one will be in Urdu and one in English having wide circulation.

d. If no claim is made before the Company by the shareholder, certificate holder or the owner, as the case may be, the Company shall after ninety days from the date of public cation of notice under clause (b) of sub-section (1) shall:-

(1) In case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government; and.

.

(2) In case of shares or modaraba certificates or other instrument, report and deliver to the Commission such shares or modaraba certificates or other instrument and the Commission shall sell such shares or modaraba certificates or other instrument, as the case may be, in the manner and within such period as may be specified and deposit the proceeds to the credit of Federal Government.

**96 <u>CIRCULATION OF AUDITED FINANCIAL STATEMENTS AND NOTICE OF ANNUAL GENERAL MEETING</u>**

a. A Copy of Directors' Report, Auditors' Report ,Annual balance sheet, profit and loss account along with Notices of Annual General Meeting shall be circulated to its members through **CD/DVD/USB** at their Registered addresses However, if a Member prefers to receive hard copies for all the future Annual Audited Accounts then such preference of the members shall be given to the Company in writing and there after the Company shall provide hard copies of all the future Annual Audited Accounts to such Member.

b. Company shall be bound to provide hard copies of all the future Annual Audited Accounts to those members only, who request the Company, in writing, to receive hard copies of the same.

**97. <u>COMPLIANCE WITH THE ACT</u>**

The Directors shall in all respects comply with the provisions of Section 220 to 239 of the Companies Act, 2017, as applicable, in regard to the accounts of the Company. The Company shall in all respects also comply with the Rules and Regulations of the Pakistan Stock Exchange as may be applicable in this regard.

**"FURTHER RESOLVED** that Company Secretary be and is hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to this resolution**".**

**"ALSO RESOLVED** that in case of any omission or mistake if pointed out by the Commission (SECP) and any other competent authority in the aforesaid resolutions the Company Secretary be and is hereby authorized to make necessary corrections as permitted under the law in letter and spirit**".**

Say No To Corruption


# Form of Proxy

## 25th ANNUAL GENERAL MEETING

**Option -1** **Appointing a person /Representative as Proxy**

I / We_____________________ of _____________________being a member of Fauji Cement Company Limited and holder of ________________________Ordinary shares as per Registered Folio No________ hereby appoint Mr. ___________of__________ or failing whom Mr.___________ _______________ as my / our proxy to vote for me / us and on my / our behalf at the (Annual; general Meeting Extraordinary General Meeting, as the case may be) of the Company to be held on ________and at any adjournment thereof. Signed under my / our this______ day of____, 2017.

Signature should agree with the specimen
**signature registered with the Company**

Signed in the presence of:-

______________________
(**Signature of Witness**)

______________________
(**Signature of Witness**)

**Option -2** **E-voting as per The Companies (E-voting) Regulations, 2016**

I/We, _____________of ____________, being a member of Fauji Cement Company Limited, holder of ____________ Ordinary Share(s) as per Register Folio No. ______hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer _________ as proxy and will exercise e-voting as per the Companies (E-voting) Regulations,2016 and hereby demand for poll for resolutions.

My secured email address is ________________, please send login details, password and electronic signature through email.

______________________
Signature should agree with the specimen
signature registered with the Company

**Signed in the presence of:-**

______________________
(**Signature of Witness**)

______________________
(**Signature of Witness**)

**IMPORTANT**

1. The form of proxy duly completed and signed must be received at the Registered office of the Company at fauji Cement Company Limited, Head Office, Fauji Towers, Block-III, 68 Tipu Road Chaklala, Rawalpindi, Pakistan, not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

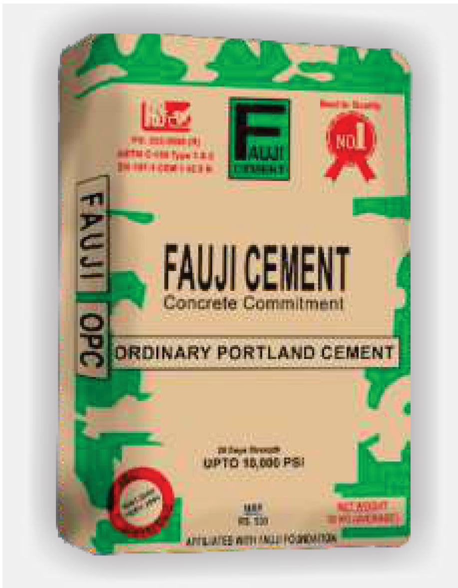
AFFIX
CORRECT
POSTAGE

The Company Secretary
Fauji Cement Company Limited
Fauji Towers Block III, 68 Tipu Road, Chaklala
Rawalpindi - Pakistan

UKAS QUALITY MANAGEMENT

MOODY INTERNATIONAL CERTIFICATION
ISO 9001 & ISO 14001
APPROVED

UKAS ENVIRONMENTAL MANAGEMENT







If undelivered please return to:

Company secretary
Fauji Cement Company Limited
Fauji Towers, Block 3, 68 Tipu Road, Chaklala,
Rawalpindi, Pakistan
www.fccl.com.pk

SAY NO TO CORRUPTION