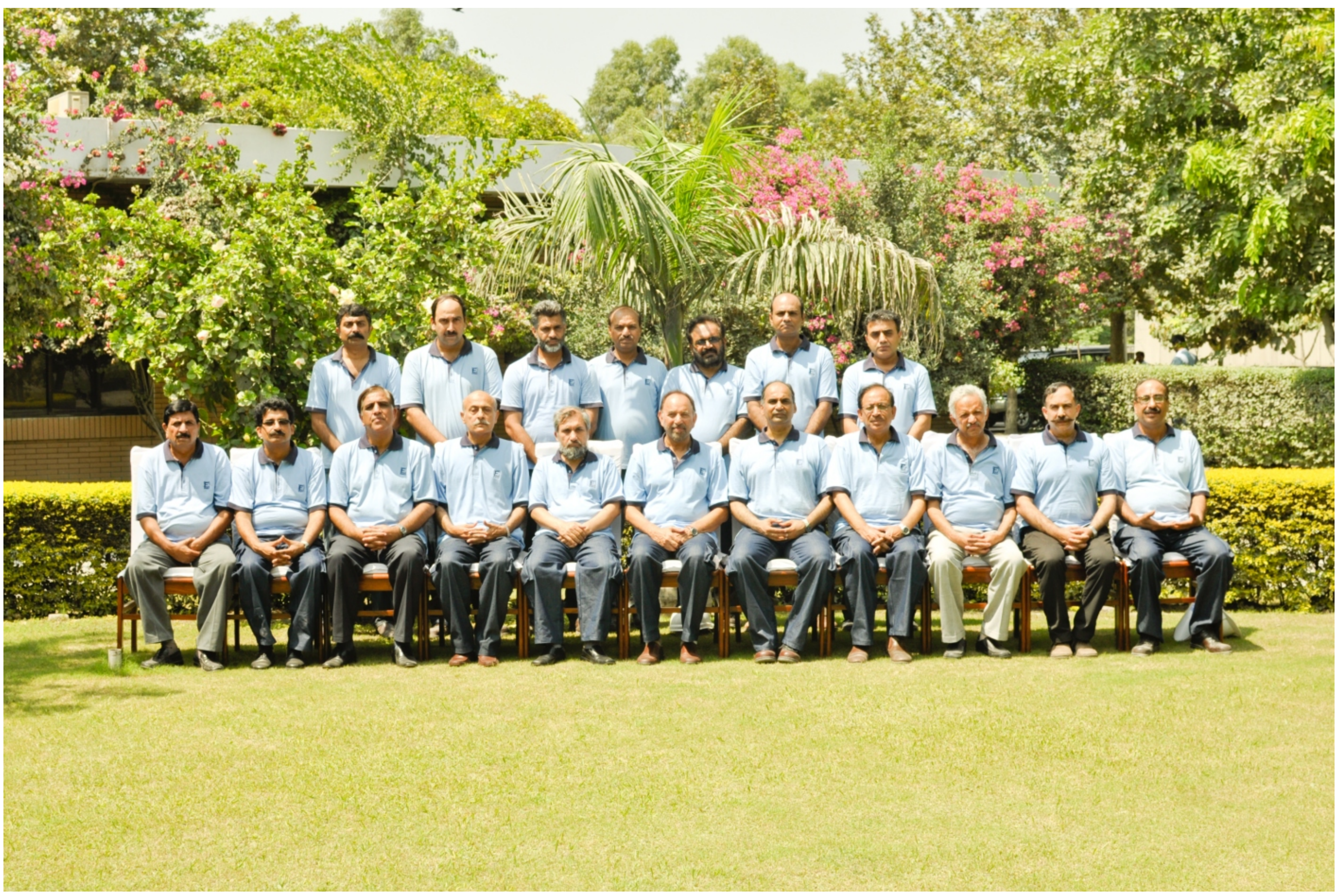
LET'S BUILD better PAKISTAN TOGETHER

FAUJI CEMENT COMPANY LIMITED

Annual Report 2013

PLANT MANAGEMENT 2013



Sitting :Left to Right
Khaliq (Manager Mining), Soomro (Manager Elect), Tariq (Manager Store), Brig (R) Sajjad Azam (Company Secretary), Rais Ahmed (Sr. GM Plant), Lt Gen (R) Muhammad Sabir (CEO/MD), Shahid (GM Operations), Siddiq (GM Maintenance), Murtaza (DGM Mechanical), Abrar (Manager Admin & Security), Janas (Manager Production – I)

Standing Left to Right
Asif (Manager Mechanical – 3), Wasif (Manager Production - 2), Mahmood (Manager Mechanical – 2), Khalid Mahmood (Manager Mechanical – 1), Mehboob (Manager QC), Amir (Manager TPI), Tauqir (Manager Power)

Contents

Lt Gen (R) Muhammad Mustafa Khan, HI (M)
(Chairman)

Lt Gen (R) Muhammad Sabir, HI (M)
(Chief Executive/MD)

Mr. Qaiser Javed

Dr. Nadeem Inayat

Brig (R) Agha Ali Hassan, SI(M)

Brig (R) Parvez Sarwar Khan, SI(M)

Brig (R) Dr. Gulfam Alam, SI(M)

Brig (R) Muhammad Saeed khan

Mr. Max Kruse, IFU

Brig (R) Asmat Ullah Khan Niazi
Independant Director

Brig (R) Sajjad Azam Khan, SI(M),T.Bt
Company Secretary

Board of Directors

Lt Gen (R)Muhammad Mustafa Khan, (Chairman)
Lt Gen (R)Muhammad Sabir, (CEO/MD)
Mr. Qaiser Javed (Director)
Dr. Nadeem Inayat (Director)
Brig (R) Agha Ali Hassan, SI(M) (Director)
Brig (R) Parvez Sarwar Khan, SI (M) (Director)
Brig (R) Dr. Gulfam Alam, SI (M) (Director)
Brig (R) Muhammad Saeed Khan (Director)
Mr. Max Kruse, IFU (Director)
Brig (R) Asmat Ullah Khan Niazi (Independent Director)

Company Secretary

Brig (R) Sajjad Azam Khan, SI (M) T Bt
Fauji Tower Block III
68 Tipu Road Chaklala, Rawalpindi
Tel: (051) 9280075
Fax: (051) 9280416
E-mail: sajjad@fccl.com.pk

Chief Financial Officer

Mr. Omer Ashraf
Tel: (051) 5500157

Human Resource Committee

Dr. Nadeem Inayat (President)
Mr.Qaiser Javed (Member)
Brig (R) Muhammad Saeed Khan (Member)
Brig (R) Sajjad Azam Khan ,SI(M),T.Bt (Secretary)

Audit Committee

Brig (R) Asmat Ullah Khan Niazi (President)
Mr. Qaiser Javed (Member)
Dr. Nadeem Inayat (Member)
Brig (R) Agha Ali Hassan, SI(M) (Member)
Brig (R) Dr. Gulfam Alam, SI(M) (Member)
Brig (R) Sajjad Azam Khan ,SI(M),T.Bt (Secretary)

Technical Committee

Brig (R) Dr. Gulfam Alam, SI(M) (President)
Brig (R) Parvez Sarwar Khan, SI(M) (Member)
Brig (R) Muhammad Saeed Khan (Member)
Mr. Rais Ahmed, Senior GM (Plant) (Secretary)

Auditors

M/s KPMG Taseer Hadi & Co,
Chartered Accountants
Fax : (051) 2822671

Legal Advisors

M/s Orr Dignam & Co, Advocates
Fax : (051) 2260653

Registration & Shares Transfer Officer

M/s CORPLINK (PVT) LIMITED
Wings Arcade, 1- K, Commercial,
Model Town, Lahore
Tel.: 042 -35839182, 35887262
Fax : 042 -35869037

Registered Office/ Head Office

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

Marketing and Sales Department:

Ist Floor, Aslam Plaza, 60 Adamjee Road,
Sadar, Rawalpindi-Pakistan.
Tel: (051) 5523836, 5528042, 5528960,
5528963-64
Fax: (051) 5528965-66

Factory

Near Village Jhang Bahtar, Tehsil Fateh Jang
District: Attock
Tel: 057-2538047-48, 2538138, 2538148-49
Fax: 057-2538025

Company Website

http://www.fccl.com.pk

Key Management

Mr. Rais Ahmad
Senior GM (Plant)

Mr. Shahid Ghazanfar
GM (Operations)

Mr. Siddiq Khan
GM (Maintenance)

Mr. Omer Ashraf
Chief Financial Officer

Brig (R) Ashfaq Ahmed
GM (PHM)

Brig (R) Muhammad Iqbal,SI(M)
GM (Marketing & Sales)

Vision

To be a role model cement manufacturing Company, benefiting all stake holders and fulfilling corporate social responsibilities, while enjoying public respect and good will.

Mission

While maintaining its leading position in quality of cement, maximize profitability through reduced cost of production and enhanced market share.

Our Values

Customers	We listen to our customers and improve our product to meet their present and future needs.
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 recongnized.
Accountability	We expect superior performance and results. Our leaders set clear goals and expectations, are supportive and provide and seek frequent feed back.
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 public.
Financial Responsibility	We are prudent and effective in the use of the resources entrusted to us.

FCCL, located at Jhang Bhatar, 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 has been erected and its production started on 30 May 2011. The new 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 are:

a. POLYSIUS AG 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 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.

		2013	2012	2011	2010	2009	2008	2007
Profit								
Gross Profit Margin	%	31.82	26.63	17.35	13.54	31.75	18.56	31.52
Operating Profit Margin	%	28.79	24.23	12.48	9.61	30.98	16.96	28.74
Pre Tax Margin	%	19.32	8.39	10.29	8.53	26.75	12.82	22.76
After Tax Margin	%	13.13	4.80	8.98	6.57	18.96	11.66	18.66
Performance								
Return on total assets	%	6.92	1.80	1.32	0.93	4.70	3.32	10.10
Total assets turnover	Times	0.53	0.38	0.15	0.14	0.25	0.28	0.54
Fixed assets turnover	Times	0.65	0.44	0.18	0.16	0.28	0.50	0.81
Return on paid up share capital	%	15.2	4.00	5.74	3.37	13.58	5.57	15.41
Leverage								
Debt Equity Ratio	Times	0.40	0.47	0.55	0.57	0.40	0.09	0.38
Current Ratio	Times	1.14	0.76	0.89	0.63	0.81	2.16	1.35
Quick Ratio	Times	0.92	0.58	0.80	0.60	0.74	2.06	1.23
Valuation								
Earnings per share (basic)	Rs	1.42	0.29	0.52	0.31	1.43	0.85	1.73
Breakup value per share (basic)	Rs	11.97	10.44	15.89	13.86	13.97	13.39	10.07
Breakup value per share (diluted)	Rs	11.55	10.08	14.84	12.95	13.06	12.51	8.91
Dividend per share (Proposed)	Rs	1.25	-	-	-	-	-	-
Dividend payout ratio (Proposed)	%	88.00	-	-	-	-	-	-
Market price per share (average)	Rs	7.9	4.53	4.72	6.67	6.49	16.06	20.09
Historical Trends Trading Results								
Sales-net	Rs' 000	15,967,900	11,523,050	4,742,593	3,808,455	5,314,538	3,545,902	3,463,283
Gross profit	Rs' 000	5,080,473	3,068,450	823,053	515,584	1,687,428	658,112	1,091,495
Operating profit	Rs' 000	4,597,673	2,791,690	592,075	366,117	1,646,233	601,518	995,285
Profit before tax	Rs' 000	3,085,525	966,245	488,153	324,911	1,424,517	454,564	788,180
Profit after tax	Rs' 000	2,097,067	552,590	425,661	250,179	1,007,623	413,598	646,323
Financial Position								
Shareholders equity	Rs' 000	15,936,361	13,905,105	11,014,017	9,610,685	9,690,689	9,283,981	3,735,206
Property, plant & equipment	Rs' 000	24,734,325	25,857,954	26,658,079	23,819,040	18,777,204	7,106,599	4,392,450
Working capital	Rs' 000	629,660	(1,334,355)	(592,614)	(1,217,421)	(387,648)	2,839,322	511,240
Non current liabilities	Rs' 000	9,958,258	11,304,187	12,623,072	12,784,399	9,131,299	715,751	1,223,195

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 21st Annual Report together with audited financial statements of the Company for the year ended 30th June 2013 and Auditors' Report thereon.

Market Overview

2. Industry dispatches for the FY 2012-13 were 33.4 Million MT including 25 Million MT domestic and 8.4 Million MT exports. There is a 3 % increase in total dispatches of the Industry as compared to the previous year, which were 32.5 Million MT including 24 Million MT domestic and 8.5 Million MT exports. The increase in the domestic dispatches is 5 % and the decrease in exports is 3 %.

3. FCCL has dispatched 2,500,413 MT for the FY2012-13 including 2,000,461 MT domestic and 499,952 MT exports. There is a 17 % increase in total dispatches as compared to the previous year. Capacity utilization of FCCL in FY 2012-13 has been 73% whereas in FY 2011-12 it was 62 % (based on 11,445 TPD).

Production Review

4. Performance of the plant remained satisfactory. Comparative production figures are given as under:-

		2012 - 13	2011 - 12
a.	Clinker (MT)	2,353,668	2,125,693
b.	Cement (MT)	2,497,529	2,145,050

Financial Performance

5. **Profitability.** Gross profit ratio was 32% as compared to 27% during last year. An improvement in cement prices helped the Company in passing on some of its input costs. The Company earned a Profit after Tax of Rs. 2,097 Million as compared to the last year's profit of Rs. 552 Million. The cost of production increased by 4%. The Company successfully managed debt servicing of Rs 3.5 billion during this financial year from operational cash flows.

6. **Contribution to National Exchequer**. The Company contributed a sum of Rs.4,782 Million to the national exchequer in the form of taxes and duties during the year under review. Fauji Cement also earned USD 36 Million through export of cement.

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

8. **Books of Account.** Proper books of account have been maintained.

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

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

11. **Internal Control System.** The system of internal control is sound in design and has been effectively implemented and monitored.

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

13. **Best Practices of Corporate Governance.** There has been no material departure from the best practices of corporate governance, as given in the listing regulations.

14. **Financial Data of Last Six Years.** Key operating and financial data of last six years is given below:-

Description (Rs. In Million)	**2013**	2012	2011	2010	2009	2008
Operating Results						
Net Sales	**15,967.900**	11,523.050	4,743.593	3,808.455	5,314.538	3,545.902
Gross Profit	**5,080.473**	3,068.450	823.053	515.584	1,687.428	658.112
Operating Profit	**4,597.673**	2,791.690	592.075	366.117	1,646.233	601.518
Financial Charges	**1,512.148**	1,825.445	103.922	41.206	224.716	146.954
Profit After Taxation	**2,097.067**	552.590	425.661	250.179	1,007.623	413.598
Balance Sheet						
Shareholder's Equity	**15,936.361**	13,905.105	11,014.017	9,610.685	9,690.689	9,283,981
Fixed Assets	**24,734.325**	25,897.954	26,658.079	23,819.040	18,777.204	7,106.599
Long Term Loans including current portion	**10,484.209**	12,554.908	13,553.62	12,980.414	6,549.227	875.000
EPS (Rs)						
Basic	**1.42**	0.29	0.52	0.31	1.43	0.85
Diluted	**1.42**	0.29	0.34	0.30	1.36	0.77

15. **Dividend.** The Board is pleased to propose a dividend at the rate of Rs.1.25 per share i.e 12.5 % for the financial year ended on 30th June 2013.

16. **Outstanding Statutory Dues.** The Company does not have any outstanding statutory dues except as shown in Note number 8.

17. **Provident Fund.** Value as on 30 June 2013 is given below:-

	Management Staff	Non-Management Staff
Provident Fund (in Million) :	Rs. 164.134	Rs. 90.760

18. **Board of Directors**

19. **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 the Stock Exchanges. To fulfill this role, the 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 expenditure, 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. The Board has delegated responsibility for operation and administration of the Company to the Chief Executive / Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees which work under the guidance of Board of Directors:-

a. Audit Committee.
b. Technical Committee.
c. Human Resource Committee.

20. **Independent Director.** The Board welcomed Brig (R) Asmat Ullah Khan Niazi who has been elected in EOGM held on 05 Dec 2012 as Independent Director on the Board of FCCL and Appointed as President of Audit Committee.

21. **Attendance of Meetings.** During the year under review, attendance by each director is given below:-

a. **Board of Directors**

		No of Meetings Held	Attended
(1)	Lt Gen (R) Muhammad Mustafa, HI (M)	4	4
(2)	Lt Gen (R) Muhammad Sabir, HI (M)	4	4
(3)	Mr. Qaiser Javed	4	4
(4)	Dr. Nadeem Inayat	4	3
(5)	Brig (R) Agha Ali Hassan, SI (M)	4	4
(6)	Brig (R) Parvez Sarwar Khan SI (M)	4	4
(7)	Brig (R) Dr. Gulfam Alam SI (M)	4	3
(8)	Brig (R) Muhammad Saeed Khan	4	4
(9)	Brig (R) Asmat Ullah Khan Niazi	4	2
(10)	Mr. Max Kruse	4	-

b. **Audit Committee**

(1)	Brig (R) Asmat Ullah Khan Niazi	5	3
(2)	Mr. Qaiser Javed	5	5
(3)	Dr. Nadeem Inayat	5	2
(4)	Brig (R) Agha Ali Hassan, SI (M)	5	5
(5)	Brig (R) Dr. Gulfam Alam	5	4

c. **Technical Committee**

(1)	Brig (R) Dr. Gulfam Alam, SI(M)	5	5
(2)	Brig (R) Parvez Sarwar Khan, SI(M)	5	4
(3)	Brig (R) Muhammad Saeed Khan	5	5

Note: All meetings of the Board met minimum quorum prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary.

22. **Disclosures.** To the best of our knowledge, the Directors, CEO, CFO, Company Secretary, Company Auditors, their spouses and their minor children have not undertaken any trading in shares of the Company during the FY 2012-13.

23. **Relations with Company Personnel** . Relations between the management and the workers continued to be extremely cordial based on mutual respect and confidence contributing 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 the staff in order to provide Safe and Healthy work environment.

Pattern of Share-holding

24. Pattern of share-holding as on 30 June 2013 is attached as Annex A.

Corporate Social Responsibilities & Sustainable Environment Care

25. Fauji Cement has always been a socially responsible corporate entity which feels obliged in paying back to the society, from which we derive economic gains.

Mr. Shahid Ghazanfer, GM Operations receiving "Certificate of Appreciation" by CSR Association of Pakistan, in recognition of initiative taken by Fauji Cement

26. **Awards, Acknowledgment, Certifications.** Fauji Cement has a pro active approach towards fulfillment of Corporate Social Responsibilities. The measures taken by Fauji Cement have been acknowledged by the society and concerned authorities through different awards.

27. **Community Welfare**

a. **FCCL Technical Training Institute.**

FCCL management is cognizant of corporate responsibility towards development of technical skills of young generation and its importance in development of the country. In pursuance to this objective, FCCL has planned to develop “FCCL Technical Training Institute. The institute is expected to play vital role in skill development of local youth, especially from under privileged community.

Passing out Apprentices 2012

b. **FAUJI Model Secondary School (FMSS).**

English Medium Secondary School is being run by Fauji Cement with strength of 553 students from Class Nursery to Class 10. Continual improvement measures are taken to up-grade and up-date the school including up lifting of School Library, scholarships and up-gradation of Science Laboratory.

c. **FCCL Medical Dispensary.**

Medical facility is being provided to the local community through Company Operated Medical Dispensary. The facility is equipped with necessary equipment and MBBS Doctors are available, including a lady Doctor.

d. **Local Community Schools.**

With a concept to extend educational support at a larger scale for the local and adjacent community, FCCL Management decided to up-grade Govt. High School LANGAR - Rs. 1.6 Million are being spent for construction of additional classrooms.

e. **Children Park.**

A children park is being maintained in Factory area for local community.

f. **Employees Welfare Activities.**

Employees Sports Tournaments are arranged every year enabling healthy competition, worth mentioning are Cricket & Badminton Tournaments.

Cricket Tournament prize Distribution

External Auditors

28. The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants will stand retired at the conclusion of the 21st Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee as External Auditors till conclusion of 22nd AGM on existing terms and conditions.

Quality Management System

29. **Management Systems.** Fauji Cement management is strongly committed to sustainable Environment & Quality Management. Company's measures have been well recognized by the society & independent certification authorities. The company is ISO Certified.

a. **Environmental Management System**
Environmental aspects are well considered & taken care in day to day business activities. Steps like Mega Tree Plantation plan, children park development, first ever RDF plant in Pakistan cement Industry & energy conservation measures are worth mentioning.

b. **ISO 14001:2004 & ISO 9001:2008.**
Fauji Cement fully complies with national & International regulations pertaining to environment aspect. Fauji Cement is 14001:2004 & ISO 9001:2008 certified by Moody International and endorsed by UKAS International.

30. **Product Quality .** FCCL has always endeavored to produce the best quality cement in Pakistan which is amply reflected in the premium price & its high demand, both inside and outside the country. As a company, FCCL is focused on customers' satisfaction, employees morale and fair deal to its partner in the business. The company has a well designed and effectively practiced “Quality Policy”.

Acknowledgement

31. The Directors express their deep appreciation to valued Shareholders, Customers, Suppliers and Financial Institutions / Government Departments for their cooperation and Company's Employees for their hard work and commitment which enabled the company to achieve good operational results.

32. The Board is of the opinion that with sustained efforts and ALLAH's blessing, the Company will remain on its way to success.

For and on behalf of the Board

Rawalpindi
21 August 2013

Lt Gen (R) Muhammad Mustafa Khan, HI (M)
Chairman

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulation No 35 of Karachi Stock Exchange, listing regulation No 35 of Lahore Stock Exchange and Chapter XI of the Listing Regulation of Islamabad Stock Exchanges 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 (CCG).

The company has applied the principles contained in the CCG in the following manner:

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

Category	**Names**
Independent Director	Brig (R) Asmat Ullah Khan Niazi
Executive Director	Lt. Gen (R) Muhammad Sabir
Non-Executive Directors	1. Lt Gen (R) Muhammad Mustafa Khan (Chairman)
	2. Mr. Qaiser Javed
	3. Mr. Dr. Nadeem Inayat
	4. Brig (R) Agha Ali Hassan
	5. Brig (R) Parvez Sarwar Khan
	6. Brig (R) Dr. Gulfam Alam
	7. Brig (R) Muhammad Saeed Khan
	8. Mr. Max Kruse

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 DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred during the period under review.

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, other executive 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 Directors at FCCL Board are adequately trained to perform their duties. Brig (R) Muhammad Saeed Khan, director of the Company has obtained certificate under directors training program offered by institution that meets the criteria specified by SECP in the period under review.

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 share holding.

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

15. The company has formed an Audit Committee. It comprises five members, of whom all are non-executive directors and the Chairman of the committee is an Independent non executive Director.

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

17. The board has formed an HR and Remuneration Committee. It comprises of three

members, of whom all are non-executive directors and the chairman of the committee is a non executive director.

18. The board has set up an effective internal audit department which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

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 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 stock exchange(s).

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

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

Rawalpindi
21 August 2013

LT GEN (R) MUHAMMAD MUSTAFA KHAN, HI(M)
CHAIRMAN

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

We have reviewed the Directors' Statement of Compliance with the Best Practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Cement Company Limited, ("the Company") to comply with the Listing Regulations No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited vide circular KSE/ N-269 dated 19 January 2009 requires the Company to place before the Board of Director for their consideration and approval 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 recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.

Islamabad
21 August 2013

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

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

We have audited the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at 30 June 2013 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 requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion-

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profits, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Islamabad
21 August 2013

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

	Note	2013 Rupees'000	2012 Rupees'000
SHARE CAPITAL AND RESERVES			
Share capital	4	**13,798,150**	13,798,150
Reserves	5	**2,138,211**	106,955
		15,936,361	13,905,105
NON - CURRENT LIABILITIES			
Long term financing - secured	6	**7,924,264**	10,174,513
Deferred liabilities	7	**2,034,994**	1,129,674
CURRENT LIABILITIES			
Trade and other payables	8	**1,483,438**	1,778,447
Markup accrued		**206,362**	349,377
Short term borrowings - secured	9	**159,685**	985,954
Current portion of long term financing	6	**2,559,945**	2,380,395
		4,409,430	5,494,173
		30,305,049	30,703,465
CONTINGENCIES AND COMMITMENTS	10		

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

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 21 August 2013.

Chief Executive

	Note	2013 Rupees'000	2012 Rupees'000
NON - CURRENT ASSETS			
Property, plant and equipment	11	**24,734,325**	25,897,954
Long term advance	12	**2,700**	3,600
Long term deposits and prepayments	13	**528,934**	642,093
		25,265,959	26,543,647
CURRENT ASSETS			
Stores, spares and loose tools	14	**1,869,919**	2,554,433
Stock in trade	15	**981,092**	955,337
Trade debts	16	**205,802**	64,241
Advances	17	**12,920**	13,077
Trade deposits, short term prepayments and balances with statutory authority	18	**179,119**	192,024
Interest accrued		**10,472**	393
Other receivables	19	**22,201**	165,242
Derivative financial instrument	20	**55,394**	-
Cash and bank balances	21	**1,702,171**	215,071
		5,039,090	4,159,818
		30,305,049	30,703,465

Director

	Note	2013 Rupees'000	2012 Rupees'000
Turnover - net	22	**15,967,900**	11,523,050
Cost of sales	23	**(10,887,427)**	(8,454,600)
Gross profit		**5,080,473**	3,068,450
Administrative expenses	24	**(205,074)**	(129,180)
Distribution cost	25	**(143,866)**	(101,642)
Other operating expenses	26	**(228,579)**	(72,457)
Finance cost	27	**(1,512,148)**	(1,825,445)
Other income	28	**94,719**	26,519
Profit before taxation		**3,085,525**	966,245
Taxation	29	**(988,458)**	(413,655)
Profit for the year		**2,097,067**	552,590
Earnings per share - Basic (Rupees)	30.1	**1.42**	0.29
Earnings per share - Diluted (Rupees)	30.2	**1.42**	0.29

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

Chief Executive

Director

	2013 Rupees'000	2012 Rupees'000
Profit for the year	**2,097,067**	552,590
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**2,097,067**	552,590

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

Chief Executive

Director

	Note	2013 Rupees'000	2012 Rupees'000
Cash flows from operating activities			
Net profit before taxation		**3,085,525**	966,245
Adjustments for:			
Depreciation		**1,273,892**	1,070,083
Provision for compensated absences		**36,757**	20,321
Workers' (Profit) Participation Fund including interest and WWF		**227,651**	71,455
Finance cost		**1,511,851**	1,825,187
Gain on disposal of property, plant and equipment		**(870)**	(7,523)
Interest income including interest on long term advance		**(65,885)**	(9,343)
		2,983,396	2,970,180
Operating cash flows before working capital changes		**6,068,921**	3,936,425
Decrease/ (increase) in stores and stocks		**658,759**	(571,675)
Decrease in long-term deposits and prepayments		**-**	2
Decrease in long-term advance		**900**	900
Increase in trade debts		**(141,561)**	(27,281)
Decrease in advances		**157**	27,656
Decrease in trade deposits, short term prepayments and balance with statutory authority		**6,423**	586,815
Decrease in other receivables		**143,041**	2,193
(Decrease)/ increase in trade and other payables		**(457,096)**	512,827
		210,623	531,437
Cash generated from operations		**6,279,544**	4,467,862
Compensated absences paid		**(18,178)**	(21,651)
Payment to Workers' (Profit) Participation Fund		**(177,169)**	(26,464)
Taxes paid		**(89,957)**	(114,248)
Net cash generated from operating activities		**5,994,240**	4,305,499
Cash flows from investing activities			
Additions in property, plant and equipment		**(113,253)**	(142,147)
Proceeds from disposal of property, plant and equipment		**3,860**	7,853
Interest received on bank deposits and long term advance		**55,806**	9,786
Net cash used in investing activities		**(53,587)**	(124,508)
Cash flows from financing activities			
Repayment of long term finances		**(2,423,912)**	(1,671,082)
Repayment of sub-ordinated loan		**-**	(3,189,000)
Proceeds from issue of shares - net of transaction cost		**-**	2,325,555
Dividend paid on preference shares		**(175,573)**	(66,885)
Payment of short term borrowings		**(940,000)**	(466,375)
Finance cost paid		**(1,027,799)**	(1,427,975)
Net cash used in financing activities		**(4,567,284)**	(4,495,762)
Net increase/ (decrease) in cash and cash equivalents		**1,373,369**	(314,771)
Cash and cash equivalents at beginning of the year		**169,117**	483,888
Cash and cash equivalents at end of the year	31	**1,542,486**	169,117

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

Chief Executive

Director

	Share capital		Advance against issue of shares	Capital reserve		Revenue reserve	Total
	Ordinary	Preference		Share premium/ (discount on issue of shares)	Hedging reserve	Un-appropriated profit	
				Rupees'000			
Balance at 01 July 2011	**6,932,895**	**486,992**	**861,871**	**1,826,452**	**(606,629)**	**1,512,436**	**11,014,017**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	552,590	552,590
Total comprehensive income for the year	-	-	-	-	-	552,590	552,590
Transfer during the year	-	-	-	-	188,516	-	188,516
Transaction with owners, recorded directly in equity							
Dividend on preference shares @ Rs. 3.60 per share	-	-	-	-	-	(175,573)	(175,573)
Amount received against issue of right shares	-	-	2,327,261	-	-	-	2,327,261
Issuance of right shares at discount	6,378,263	-	(3,189,132)	(3,189,131)	-	-	-
Cost incurred in connection with right issue	-	-	-	(1,706)	-	-	(1,706)
Total transaction with owners, recorded directly in equity	6,378,263	-	(861,871)	(3,190,837)	-	(175,573)	2,149,982
Balance at 30 June 2012	**13,311,158**	**486,992**	**-**	**(1,364,385)**	**(418,113)**	**1,889,453**	**13,905,105**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,097,067	2,097,067
Total comprehensive income for the year	-	-	-	-	-	2,097,067	2,097,067
Transfer during the year	-	-	-	-	144,876	-	144,876
Transaction with owners, recorded directly in equity							
Dividend on preference shares @ Rs. 4.33 per share	-	-	-	-	-	(210,687)	(210,687)
Total transaction with owners, recorded directly in equity	-	-	-	-	-	(210,687)	(210,687)
Balance at 30 June 2013	**13,311,158**	**486,992**	**-**	**(1,364,385)**	**(273,237)**	**3,775,833**	**15,936,361**

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

Chief Executive

Director

1. LEGAL STATUS AND OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that derivative financial instruments are measured at fair value.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees (PKR) which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4.1 Property, plant and equipment

The Company regularly reviews useful life and residual value for the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

2.4.2 Provision for inventory obsolescence and doubtful receivables

The Company reviews the net realisable value of stock in trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated cost to complete and estimated cost to make the sales. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

2.4.3 Taxation

In making the estimates for income taxes payable by the Company, the management refers to the applicable law and the decisions of appellate authorities on pertinent issues in the past.

The Company regularly reviews the trend of proportion of incomes under Presumptive Tax Regime and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.4.4 Derivative financial instruments

The Company reviews the fair value of derivative financial instruments on regular basis. Fair value is sensitive to changes in interest and exchange rates. If there is any change in interest and exchange rates, fair value is adjusted accordingly.

2.4.5 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and legal advisors' judgments, appropriate provision is made.

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 2013:

-IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

-IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

-IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

-Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

-IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

-IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 *Inventories*. The amendments have no impact on financial statements of the Company.

-IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

-IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

-IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

-IFRIC 21- Levies an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

-IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

-Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Taxation

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, in which case it is recognized in statement of comprehensive income or equity.

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

Deferred tax liabilities are recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is accounted for using the balance sheet liability method in respect of all major taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. The amount of deferred tax recognized is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date.

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.

3.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment loss, 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 11. Depreciation on depreciable assets is commenced from the month 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 or loss 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 or loss.

3.3 Impairment

Non-financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and 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 amortisation, if no impairment loss had been recognised. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss account.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realisable value less impairment, if any. 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 recognised. 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, except for those in transit, work in process and finished goods are valued at the lower of average cost and net realizable value. Stock of packing material is valued at moving average cost less impairment, if any. Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon less impairment, if any.

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

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 amortised cost in the functional currency at beginning of the year, adjusted for effective interest and payments during the year, and amortised 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 from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The transfer of risk and rewards occur when the goods are despatched. Scrap sales and miscellaneous receipts are recognised on realised amounts. Profit on deposits and advances is accounted for on a time proportion basis using the applicable rate of interest.

3.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis.

3.9 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost as the case may be. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instrument. The Company recognises the regular way of purchase or sale of financial assets using settlement date accounting.

Trade and other payables

Liabilities for trade and other amounts payable are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using effective interest method.

Trade debts and other receivables

Trade debts and other receivables are are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Borrowing cost

Borrowing costs are recognised 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 capitalised 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.

3.11 Staff retirement benefits

Provident fund

The Company operates a defined contributory provident fund scheme for permanent employees. Monthly contributions are made to the fund @ 10% of the basic salary both by the Company and employees. The Company's contribution is charged to the profit and loss account.

Compensated absences

The Company also provides for compensated absences to its employees on unavailed leaves according to the Company's policy. Charge for the year is included in profit and loss account.

3.12 Derivative financial instruments

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances at banks, running finances and short term highly liquid investments with maturity of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

3.14 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.

3.15 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.

3.16 Dividend

Dividend on ordinary shares is recognized as a liability in the period in which it is declared. Dividend on preference shares is recognized as a liability when the conditions as agreed with the preference shareholders are fulfilled.

4 SHARE CAPITAL

AUTHORIZED SHARE CAPITAL

This represents 1,451,300,813 (2012 : 1,451,300,813) ordinary shares of Rs. 10 each and 48,699,187 (2012 : 48,699,187) preference shares of Rs. 10 each.

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013 Number '000	2012 Number '000		2013 Rupees '000	2012 Rupees '000
		Ordinary shares		
171,310	171,310	Ordinary shares of Rs. 10 each fully paid 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
1,331,115	1,331,115		**13,311,158**	13,311,158
		Preference shares (note 4.1)		
48,699	48,699	Preference shares of Rs. 10 each issued at a discount of Rs. 3.85 per share - paid in cash	**486,992**	486,992
1,379,814	1,379,814		**13,798,150**	13,798,150

4.1 Preference shares are convertible into ordinary shares only, at any time at Rs.10 each without further payment, such conversion being irreversible once exercised and having the same rights as ordinary shares in the Company including pari passu voting rights with ordinary shares.

4.2 Fauji Foundation holds 494,951,055 (2012: 787,376,055) ordinary shares and 48,699,187 (2012: 48,699,187) preference 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 hold 93,750,000 (2012: 93,750,000) , 18,750,000 (2012 : 18,750,000) and 18,750,000 (2012: 18,750,000) ordinary shares respectively of the Company at the year end.

5 RESERVES

	2013 Rupees '000	2012 Rupees '000
Capital		
Discount on issue of shares	**(1,364,385)**	(1,364,385)
Hedging reserve	**(273,237)**	(418,113)
Revenue		
Un-appropriated profit	**3,775,833**	1,889,453
	2,138,211	106,955

6 LONG TERM FINANCING - Secured

- Loans from banking companies-under mark up arrangements

Lender	Note	2013	2012	Rate of interest per annum	Outstanding installment	Interest payable
		Rupees'000				
Syndicate Finance	6.1	**2,690,909**	3,363,636	6 month's KIBOR + 1.5% (2012: 6 month's KIBOR + 2%)	8 semi annual installments ending 16 February 2017	Semi annual
The Royal Bank of Scotland N.V.	6.2	**5,813,100**	6,904,337	6 month's LIBOR + 0.8% (2012: 6 month's LIBOR +0.8%)	8 semi annual installments ending 7 May 2017	Semi annual
National Bank of Pakistan		**1,392,857**	1,500,000	6 month's KIBOR + 1.75% (2012: 6 month's KIBOR +2.25%)	13 semi annual installments ending 19 July 2019	Semi annual
Faysal Bank Limited		**357,143**	500,000	6 month's KIBOR + 1% (2012: 6 month's KIBOR + 2%)	5 semi annual installments ending 7 December 2015	Semi annual
Habib Bank Limited		**268,800**	345,600	6 month's KIBOR + 1% (2012: 6 month's KIBOR +2.5%)	7 semi annual installments ending 29 July 2016	Semi annual
Less: Unamortized portion of transaction cost		**(38,600)**	(58,665)			
		10,484,209	12,554,908			
Less: Current portion shown under current liabilities		**(2,559,945)**	(2,380,395)			
		7,924,264	10,174,513			

6.1 This is a syndicated term finance facility obtained from consortium of banks consisting of Allied Bank Limited, United Bank Limited, Bank Alfalah Limited, Bank of Khyber, Bank Al Habib Limited and Soneri Bank Limited. During the year, Bank Alfalah Limited has also taken over the loan liability pertaining to Pak Libya Investment Company Limited and Summit Bank Limited.

6.2 This foreign currency loan facility is an Export Credit Agency (Euler Hermes Kreditversicherungs-AG (Hermes)) backed term finance facility obtained through The Royal Bank of Scotland N.V.

6.3 The above facilities 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	2013 Rupees'000	2012 Rupees'000
Provision for compensated absences	7.1	**38,152**	24,851
Deferred taxation	7.2	**1,996,842**	1,104,823
		2,034,994	1,129,674

7.1 Provision for compensated absences

	2013	2012
Balance at beginning of the year	**29,832**	31,162
Add: Charge for the year	**36,757**	20,321
	66,589	51,483
Less: Amount paid during the year	**(18,178)**	(21,651)
	48,411	29,832
Less: Amount transferred to current liabilities	**(10,259)**	(4,981)
	38,152	24,851

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.

7.2 Deferred taxation	2013 Rupees'000	2012 Rupees'000
Deductible temporary differences		
Unused tax losses representing unabsorbed depreciation	**(1,950,359)**	(2,985,687)
Unrealised exchange loss on foreign currency loan	**(212,466)**	-
Taxable temporary difference		
Excess of accounting book value of fixed assets over their tax base	**4,159,667**	4,090,510
	1,996,842	1,104,823

8 TRADE AND OTHER PAYABLES

	Note	2013 Rupees'000	2012 Rupees'000
Creditors		**135,022**	346,396
Accrued liabilities		**381,322**	400,042
Retention money		**14,891**	14,649
Security deposits		**79,661**	70,554
Advances from customers		**213,343**	192,416
Workers' (Profit) Participation Fund	8.1	**40,644**	51,872
Workers' Welfare Fund		**89,671**	27,962
Swap fee payable		**71,214**	-
Federal excise duty payable		**67,875**	84,799
Sales tax payable (net)		**69,507**	42,887
Other liabilities		**97,081**	364,055
Compensated absences		**10,259**	4,981
Dividend payable on preference shares		**210,687**	175,573
Unclaimed dividend		**2,261**	2,261
		1,483,438	1,778,447

8.1 Workers' (Profit) Participation Fund (WPPF)

	2013 Rupees'000	2012 Rupees'000
Balance at beginning of the year	**51,872**	26,206
Interest on funds utilised in the Company's business	**297**	258
Allocation for the year	**165,644**	51,872
Payment to the fund during the year	**(177,169)**	(26,464)
	40,644	51,872
Allocation for the year is made up as follows:		
Profit for the year before tax, WPPF and WWF	**3,312,879**	1,037,442
Charge for the year at the rate of 5%	**165,644**	51,872

9 SHORT TERM BORROWINGS - secured

The Company has short term finance and morahaba facilities limits to the tune of Rs. 3,480 million (2012: Rs. 3,380 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 9.4%-11.08% per annum (2012: 11%-13.78% 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.

10 CONTINGENCIES AND COMMITMENTS

10.1 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 May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery, the Custom Authorities raised a demand of Rs. 828.343 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 are as follows:

(i) The custom case of Rs 337.227 million was decided in the Company's favour 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 and then Collector (Appeals) decided the case against the Company and the Company filed an appeal before Custom Appellate Tribunal which has not yet been decided.

(ii) Case for Rs. 15.797 million was decided by SHC against the Company. Appeal against the decision of SHC is pending before Supreme Court of Pakistan.

(iii) Case for Rs. 87.442 million is pending before SHC.

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

(v) A demand of Rs. 20.257 million has been raised by the Assistant Collector of Customs on September 21, 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) The Company has filed an appeal in Lahore High Court against decision of Civil Court in a suit for damages filed by a supplier of raw materials upon termination of its contract of services. Arbitrators of the case have ascertained a liability of Rs. 32.979 million payable by the Company out of which Rs. 14.923 million has been provided for in these financial statements. The net liability of Rs. 18.056 million so arising, has not been accounted for, as the management is confident that the appeal will ultimately be decided in favour of the Company.

c) A claim for damages amounting to Euros 833,120 equivalent Pak Rs. 108.31 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. 53.42 million and Rs. 11.824 million (less the aggregate sum of equivalent Pak Rs. 21.33 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 where it is still pending. The management believes that the Company has a strong grounds to argue the case in the court and accordingly, no liability has been accounted for in these financial statements.

d) 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 guarantee amounting to Rs. 5.32 million which is appearing under payables in these financial statements. The case is currently in High Court. No provision has been made against any liability as the management is confident that the case will be decided in favour of the Company.

e) Competition Commission of Pakistan (CCP) has issued a show cause notice dated October 28, 2008 to 21 cement manufacturers (including the Company) under section 30 of the Competition Ordinance, 2007 and imposed a penalty of Rs. 266 million on the Company. The cement manufacturers (including the Company) have filed a review petition in Lahore High Court (Court) and also challenged the CCP order in the Court . Based on expert legal advice, the management is confident that the case will be decided in favour of the Company.

f) The Company is contingently liable in respect of guarantees amounting to Rs. 363 million (2012: Rs. 347 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.

g) For tax related contingency refer note 30.1

10.2 Commitments

a) The Company has opened letters of credit for the import of spare parts valuing Rs. 82 million (2012: Rs. 51 million).

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building on freehold land	Plant and machinery	Store 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	Total
	Rupees'000											
Cost												
Balance as at 01 July 2011	141,246	1,655,980	6,793,413	35,980	9,419	52,798	83,211	21,602	147,424	27,855	21,607,703	30,576,631
Additions during the year	7,206	385	32,000	-	354	677	796	293	13,272	-	219,325	274,308
Disposals	-	-	-	-	(8)	(1,681)	-	-	(10,106)	-	-	(11,795)
Transfers	-	3,394,095	18,418,100	-	-	-	-	-	-	-	(21,812,195)	-
Balance as at 30 June 2012	**148,452**	**5,050,460**	**25,243,513**	**35,980**	**9,765**	**51,794**	**84,007**	**21,895**	**150,590**	**27,855**	**14,833**	**30,839,144**
Balance as at 01 July 2012	148,452	5,050,460	25,243,513	35,980	9,765	51,794	84,007	21,895	150,590	27,855	14,833	30,839,144
Additions during the year	-	7,053	42,934	-	1,462	6,077	897	928	23,176	-	30,726	113,253
Disposals/written off	-	-	-	(2,292)	(198)	(1,268)	(24)	(41)	(18,481)	-	-	(22,304)
Transfers	-	38,627	-	-	-	-	-	-	-	-	(38,627)	-
Balance as at 30 June 2013	**148,452**	**5,096,140**	**25,286,447**	**33,688**	**11,029**	**56,603**	**84,880**	**22,782**	**155,285**	**27,855**	**6,932**	**30,930,093**
Depreciation												
Balance as at 01 July 2011	-	821,996	2,805,055	-	7,096	39,650	71,776	10,201	98,943	27,855	-	3,882,572
Charge for the year	-	170,693	861,617	1,431	751	7,337	2,642	2,292	23,320	-	-	1,070,083
On disposals	-	-	-	-	(8)	(1,647)	-	-	(9,810)	-	-	(11,465)
Balance as at 30 June 2012	**-**	**992,689**	**3,666,672**	**1,431**	**7,839**	**45,340**	**74,418**	**12,493**	**112,453**	**27,855**	**-**	**4,941,190**
Balance as at 01 July 2012	-	992,689	3,666,672	1,431	7,839	45,340	74,418	12,493	112,453	27,855	-	4,941,190
Charge for the year	-	203,538	1,034,736	3,244	696	6,143	2,513	2,325	20,697	-	-	1,273,892
On disposals/written off	-	-	-	(277)	(198)	(1,243)	(24)	(41)	17,531)	-	-	(19,314)
Balance as at 30 June 2013	**-**	**1,196,227**	**4,701,408**	**4,398**	**8,337**	**50,240**	**76,907**	**14,777**	**115,619**	**27,855**	**-**	**6,195,768**
Carrying amounts - 2013	148,452	3,899,913	20,585,039	29,290	2,692	6,363	7,973	8,005	39,666	-	6,932	24,734,325
Carrying amounts - 2012	148,452	4,057,771	21,576,841	34,549	1,926	6,454	9,589	9,402	38,137	-	14,833	25,897,954
Rates of depreciation	-	4%	4%	4%	15%	33.33%	10%-15%	15%	25%	10%		

11.1 Depreciation charge for the year has been allocated as follows:

	2013 Rupees'000	2012 Rupees'000
Cost of sales	**1,261,532**	1,057,463
Distribution cost	**4,242**	5,264
Administrative expenses	**8,118**	7,356
	1,273,892	1,070,083

11.2 Detail of disposals during the year is as follows:

	Original cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal
	Rupees'000				
Motor vehicle	1,626	69	155	86	As per Company's policy to Mr. Mohammad Sarwar Ex-executive
Motor vehicle	1,769	113	172	59	As per Company's policy to Mr. Zubair Tahir Ex-executive
Motor vehicle	1,398	642	132	(510)	As per Company's policy to Mr. Saeed Akhtar Ex-executive
Aggregate of other assets disposed-off	17,511	2,166	3,401	1,235	
2013	**22,304**	**2,990**	**3,860**	**870**	
2012	11,795	330	7,853	7,523	

12 LONG TERM ADVANCE - Considered good

	Note	2013 Rupees'000	2012 Rupees'000
Sui Northern Gas Pipelines Limited	12.1	**3,600**	4,500
Less: Amount receivable within 12 months shown under current assets		**(900)**	(900)
		2,700	3,600

12.1 This represents long term advance for construction of gas pipeline. It is repayable annually in equal installments over 4 years and carries mark-up @ 1.5% per annum.

13 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2013 Rupees'000	2012 Rupees'000
Islamabad Electric Supply Company Limited		**61,590**	61,590
Sui Northern Gas Pipelines Limited		**25,011**	25,011
Prepaid guarantee fee	13.1	**442,333**	555,492
		528,934	642,093

13.1 This represents premium paid to Euler Hermes Kreditversicherungs-AG (Hermes) for guarantee issued to a lender as a security against long term loan for construction of new cement manufacturing line.

		2013 Rupees'000	2012 Rupees'000
14	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**801,266**	1,501,742
	Spares (Including items in transit of Rs. 25.2 million (2012: Rs. 4.7 million)	**1,067,516**	1,039,037
	Loose tools	**1,137**	13,654
		1,869,919	2,554,433
15	**STOCK IN TRADE**		
	Raw and packing material	**201,766**	132,198
	Work in process	**638,144**	677,001
	Finished goods	**141,182**	146,138
		981,092	955,337
16	**TRADE DEBTS**		
	Unsecured		
	Considered good	**152,146**	63,504
	Considered doubtful	**3,281**	3,281
		155,427	66,785
	Secured considered good	**53,656**	737
	Less: Provision for doubtful debts	**(3,281)**	(3,281)
		205,802	64,241
17	**ADVANCES**		
	Advances - Considered good		
	To suppliers	**11,781**	11,986
	To employees	**239**	191
	Current portion of long term advance	**900**	900
		12,920	13,077
18	**TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITY**		
	Deposits	**9,438**	17,667
	Prepayments	**3,270**	1,464
	Advance tax-net	**166,411**	172,893
		179,119	192,024
19	**OTHER RECEIVABLES**		
	Other receivables- Considered good	**3,134**	146,175
	Margin on letter of guarantee	**19,067**	19,067
		22,201	165,242

20 DERIVATIVE FINANCIAL INSTRUMENT

During the year the Company has entered into cross currency swap agreements to hedge its foreign currency exposure on foreign currency floating rate borrowing under a finance facility agreement with the Standard Chartered Bank (Pakistan) Limited for one year. Under the swap agreement, the Company will receive applicable LIBOR and USD principal at the date of payment and pay applicable KIBOR-0.9% and the principal in Pak Rupees to hedging party. Fair value of derivative represents present value of future cash inflows/ outflows of cross currency swap.

21 CASH AND BANK BALANCES

	Note	2013 Rupees'000	2012 Rupees'000
Cash at banks			
Deposit accounts	21.1	**1,618,436**	79,886
Current accounts		**83,670**	135,175
		1,702,106	215,061
Cash in hand		**65**	10
		1,702,171	215,071

21.1

- Balances with banks include Rs. 79.7 million (2012 : Rs. 70.5 million) in respect of security deposits received.
- Deposits of Rs. 4 million (2012 : Rs. 4 million) with banks are under lien for letters of guarantee issued on behalf of the Company.
- This includes Term Deposit Receipts (TDRs) amounting to Rs. 1,974 million (2012: Rs. 69 million) carrying interest @ 9.8% p.a. (2012: 11.5% p.a.).

22 TURNOVER- NET

		2013 Rupees'000	2012 Rupees'000
Sales	- Local	**15,720,886**	11,565,193
	- Export	**3,246,189**	2,341,300
		18,967,075	13,906,493
Less:	Sales tax	**2,192,785**	1,595,345
	Excise duty	**797,765**	780,759
	Export development surcharge	**8,625**	7,339
		2,999,175	2,383,443
		15,967,900	11,523,050

		Note	2013 Rupees'000	2012 Rupees'000
23	**COST OF SALES**			
	Raw materials consumed		**711,425**	577,400
	Packing material consumed		**838,149**	664,647
	Stores and spares consumed		**42,437**	39,157
	Salaries, wages and benefits (including retirement benefits of Rs. 44.4 million (2012 : Rs. 24.4 million)		**715,956**	423,841
	Rent, rates and taxes		**17,090**	13,481
	Insurance		**87,407**	70,605
	Fuel consumed		**4,230,292**	3,831,144
	Power consumed		**2,506,812**	1,690,002
	Depreciation	11.1	**1,261,532**	1,057,463
	Repairs and maintenance		**373,115**	185,602
	Technical assistance		**4,700**	1,398
	Vehicle running and maintenance expenses		**25,996**	20,302
	Printing and stationery		**1,663**	1,998
	Travelling and conveyance		**15,779**	12,414
	Communication, establishment and other expenses		**11,261**	9,852
			10,843,614	8,599,306
	Add: Opening work-in-process		**677,001**	210,041
	Work in process transferred after trial run of Line-II		**-**	260,372
	Less: Closing work-in-process		**(638,144)**	(677,001)
	Cost of goods manufactured		**10,882,471**	8,392,718
	Add: Opening finished goods		**146,138**	80,289
	Finished goods transferred after trial run of Line-II		**-**	135,052
	Less: Closing finished goods		**(141,182)**	(146,138)
			10,887,427	8,461,921
	Less: Own consumption capitalized		**-**	(7,321)
			10,887,427	8,454,600
24	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits (including retirement benefits of Rs. 11.4 million (2012: Rs. 6.5 million)		**159,336**	91,196
	Travelling and entertainment		**4,089**	1,251
	Vehicle running and maintenance expenses		**8,689**	6,528
	Insurance		**725**	730
	Rent, rates and taxes		**5,934**	2,859
	Repairs and maintenance		**813**	475
	Printing and stationery		**2,737**	2,120
	Communication, establishment and other expenses		**8,477**	6,608
	Legal and professional charges		**5,456**	7,757
	Depreciation	11.1	**8,118**	7,356
	Donations	24.1	**700**	2,300
			205,074	129,180

24.1 This includes Rs. 0.5 million (2012: Rs. 0.5 million) donated to Foundation University Islamabad. The following directors' interest in the university is limited to the extent of their involvement as directors/ key management personnel:

2013	2012
Lt Gen (R) Muhammad Mustafa Khan, HI(M)	Lt Gen (R) Muhammad Mustafa Khan, HI(M)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat

	Note	**2013 Rupees'000**	2012 Rupees'000
25 DISTRIBUTION COST			
Salaries, wages and benefits (including retirement benefits of Rs. 5 million (2012 : Rs. 3.1 million)		**70,752**	37,988
Export freight and other charges		**49,172**	41,951
Travelling and entertainment		**4,347**	3,358
Vehicle running and maintenance expenses		**2,561**	2,312
Rent, rates and taxes		**4,331**	3,482
Repairs and maintenance		**449**	503
Printing and stationery		**1,123**	858
Depreciation	11.1	**4,242**	5,264
Communication, establishment and other expenses		**3,856**	3,776
Advertisement and sale promotion expenses		**2,784**	1,868
Insurance		**249**	282
		143,866	101,642
26 OTHER OPERATING EXPENSES			
Auditors' remuneration:			
Annual audit		**1,000**	1,000
Half yearly review		**140**	142
Out of pocket expenses		**25**	50
Other certifications		**60**	68
		1,225	1,260
Workers' (Profit) Participation Fund	8.1	**165,644**	51,872
Workers' Welfare Fund		**61,710**	19,325
		228,579	72,457
27 FINANCE COST			
Interest and other charges on long and short term borrowings		**1,067,057**	1,297,546
Interest on Workers' Profit Participation Fund		**297**	258
Exchange loss on revaluation of loan		**333,149**	516,655
Bank charges and commission		**14,246**	10,986
Changes in fair value of derivative		**(58,458)**	-
Swap fee		**155,857**	-
		1,512,148	1,825,445

		2013 Rupees'000	2012 Rupees'000
28	**OTHER INCOME**		
	Income from financial assets		
	Profit on deposit accounts	**65,821**	9,265
	Interest on long term advance	**64**	78
		65,885	9,343
	Income from assets other than financial assets		
	Gain on disposal of property, plant and equipment	**870**	7,523
	Others	**27,964**	9,653
		94,719	26,519
29	**TAXATION**		
	Current		
	For the year	**96,027**	119,737
	Prior	**412**	(15,987)
		96,439	103,750
	Deferred	**892,019**	309,905
		988,458	413,655
	Accounting profit for the year	**3,085,525**	966,245
	Applicable tax rate (%)	**35%**	35%
	Income tax at applicable rate	**1,079,934**	338,186
	Tax effect of export sales to local sales at prior years' estimate	**37**	(478,923)
	Tax effect of change in proportion of export sales to local sales	**(104,889)**	524,424
	Net impact of effect of change in proportion	**(104,852)**	45,501
	Minimum tax	**63,652**	119,737
	Tax effect of income taxable under final tax regime	**(32,376)**	(72,199)
	Prior year	**412**	(15,987)
	Tax effect on permanent differences	**(18,312)**	(1,583)
		988,458	413,655

29.1 Assessments of the Company upto Assessment Year 2002-2003 were finalized by the taxation officer mainly by treating advances received from customers as deemed income and curtailing administrative expenses claimed by the Company. The appeals filed by the Company have been decided by the Appellate authorities for the most part in the Company's favour up to and including Assessment Years 2001-2002, however, appeal filed for Assessment Years 2001-2002 and 2002-2003 was decided against the Department and Company respectively, by the Commissioner (Appeals) and is now pending before the Appellate Tribunal.

For the Tax Year 2005, certain payments on account of transportation charges are disallowed by the Assistant Commissioner Inland Revenue by treating these payments as income. The Company filed appeal before Commissioner Inland Revenue (Appeal) and the Commissioner Inland Revenue (Appeal) upheld the order of the Assistant Commissioner Inland Revenue. The Company has now filed an appeal in the Appellate Tribunal.

Tax returns filed by the Company for Tax Years 2008, 2009 and 2012 stand assessed in terms of Section 120 of the Ordinance. However, tax authorities are empowered to reopen the assessment at any time within 5 years from the end of the financial year in which the return was assessed. Further, the assessment for the tax year 2010 has been finalized by the Commissioner Inland Revenue under Section 221 of the Ordinance. For the Tax Year 2011, the Company is in appeal before ATIR against the order of Commissioner Appeals for upholding the action of DCIR regarding non-withholding of tax of Rs 2.5 million on certain payments.

The Company has filed appeal before CIR-Appeals 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. The order in original issued by Revenue Authorities was dismissed by Honourable Appelate Tribunal in the past. The Company is very confident of favourable outcome being already settled matter on the same issue.

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 favourable outcome.

30 EARNINGS PER SHARE

	2013	2012
30.1 Basic		
Profit after taxation (Rupees '000)	**2,097,067**	552,590
Less: Dividend on preference shares (Rupees '000)	**(210,687)**	(175,573)
Profit attributable to ordinary shareholders (Rupees '000)	**1,886,380**	377,017
Weighted average number of ordinary shares outstanding during the year (Numbers '000)	**1,331,115**	1,294,518
Earnings per share (EPS) - basic (Rupees)	**1.42**	0.29
30.2 Diluted		
Profit attributable to ordinary shareholders (Rupees '000)	**1,886,380**	377,017
Weighted average number of ordinary shares outstanding during the year (Numbers '000)	**1,331,115**	1,294,518
Earnings per share - diluted (Rupees)	**1.42**	0.29

Effect of convertible preference shares is not included in diluted EPS calculation since the effect is anti-dilutive.

31 CASH AND CASH EQUIVALENTS

	2013 Rupees'000	2012 Rupees'000
Cash and bank balances	**1,702,171**	215,071
Short term running finances	**(159,685)**	(45,954)
	1,542,486	169,117

32 REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the year for remuneration, including benefits and perquisites, were as follows:

	Managing Director		Executives	
	2013	2012	**2013**	2012
	Rupees'000	Rupees'000	**Rupees'000**	Rupees'000
Managerial remuneration	**19,022**	15,824	**245,981**	95,287
Provident fund	**584**	420	**8,986**	3,774
Compensated absences	**977**	496	**5,929**	4,709
Utilities and upkeep	**964**	616	**17,458**	3,774
	21,547	17,356	**278,354**	107,544
No of persons	**1**	1	**103**	44

33 FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

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.

33.1 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, derivative financial instrument and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013 Rupees '000	2012 Rupees '000
Long term advance	**3,600**	4,500
Long term deposit	**86,601**	86,601
Trade debts - net of provision	**205,802**	64,241
Deposits	**9,438**	17,667
Interest accrued	**10,472**	393
Other receivables	**3,134**	146,175
Margin on letters of guarantee	**19,067**	19,067
Derivative financial instrument	**55,394**	-
Bank balances	**1,702,106**	215,061
	2,095,614	553,705

Geographically there is no concentration of credit risk.

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

The Company's most significant customer is a dealer from whom Rs. 45 million (2012: Rs. 27.789 million) was outstanding and which is included in total carrying amount of trade debtors as at 30 June 2013.

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.

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
	Rupees '000		Rupees '000	
Not past due	**-**	-	8,821	-
Past due 1-30 days	**118,434**	**-**	45,149	-
Past due 31-60 days	**41,241**	**-**	7,557	-
Past due 61-90 days	**23,663**	**-**	575	-
Over 90 days	**25,745**	**3,281**	5,420	3,281
	209,083	**3,281**	67,522	3,281

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

	2013 Rupees '000	2012 Rupees '000
Balance at 1 July	**3,281**	3,281
Impairment loss adjustment	**-**	-
Balance at 30 June	**3,281**	3,281

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.

33.2 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 optimising 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:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rupees '000			
Non Derivative Financial Liabilities							
2013							
Long term loans and mark-up accrued	10,689,038	(11,911,351)	(1,743,239)	(1,503,848)	(2,904,014)	(5,420,982)	(339,268)
Trade and other payables	992,139	(992,139)	(992,139)	-	-	-	-
Short term borrowings and markup accrued	161,218	(162,734)	(162,734)	-	-	-	-
	11,842,395	(13,066,224)	(2,898,112)	(1,503,848)	(2,904,014)	(5,420,982)	(339,268)
				Rupees '000			
2012							
Long term loans and mark-up accrued	12,866,504	(15,120,892)	(1,845,202)	(1,598,900)	(3,072,256)	(7,992,534)	(612,000)
Trade and other payables	1,347,294	(1,347,294)	(1,347,294)	-	-	-	-
Short term borrowings and markup accrued	1,023,734	(1,041,480)	(1,041,480)	-	-	-	-
	15,237,532	(17,509,666)	(4,233,976)	(1,598,900)	(3,072,256)	(7,992,534)	(612,000)

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

33.2.1 The contractual cash flow 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 10 to these financial statements.

33.3 Market risk

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

33.3.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on long term loan which is denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2013		2012	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Long term loan	5,813,100	58,511	6,904,337	73,139

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	2013	2012
US Dollars	96.88	90.20	99.35	94.4

Sensitivity

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

	2013 Profit or loss		2012 Profit or loss	
	Gross exposure	Net of tax exposure	Gross exposure	Net of tax exposure
	Rupees '000		Rupees '000	
Long term loan	174,392	113,355	207,130	134,634

A 3% decrease in exchange rate would have had an equal but opposite effect to the amount shown above. The above mentioned risk is mitigated through derivative financial instrument.

33.3.2 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:

	Carrying Amount	
	2013 Rupees '000	2012 Rupees '000
Fixed rate instruments		
Financial assets	1,622,036	139,675
Financial liabilities	-	940,000
Variable rate instruments		
Financial liabilities	10,682,494	12,659,527

Fair value sensitivity analysis for variable rate instruments

The Company does not hold any financial asset or liability at fair value through profit and loss.

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 2012.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	Rupees '000	
Cash flow sensitivity (net)		
Variable rate instruments	(25,974)	25,974
30 June 2013	(25,974)	25,974
	Rupees '000	
Variable rate instruments	(32,147)	32,147
30 June 2012	(32,147)	32,147

33.4 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		2013		2012	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost		Rupees '000		Rupees '000	
Long term advance	12	3,600	3,600	4,500	4,500
Long term deposit	13	86,601	86,601	86,601	86,601
Trade debts - net of provision	16	205,802	205,802	64,241	64,241
Deposits	18	9,438	9,438	17,667	17,667
Interest accrued		10,472	10,472	393	393
Other receivables	19	3,134	3,134	146,175	146,175
Margin on letters of guarantee	19	19,067	19,067	19,067	19,067
Cash and bank balances	21	1,702,171	1,702,171	215,071	215,071
		2,040,285	2,040,285	553,715	553,715
Assets carried at fair value					
Derivative financial instrument		55,394	55,394	-	-

		2013		2012	
	Note	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Liabilities carried at amortized cost		**Rupees '000**		Rupees '000	
Long term financing - secured	6	**10,522,809**	**10,522,809**	12,613,573	12,613,573
Creditors	8	**135,022**	**135,022**	346,396	346,396
Accrued liabilities	8	**355,086**	**355,086**	373,806	373,806
Retention money	8	**14,891**	**14,891**	14,649	14,649
Security deposits	8	**79,661**	**79,661**	70,554	70,554
Other liabilities	8	**97,081**	**97,081**	364,055	364,055
Dividend payable	8	**212,948**	**212,948**	177,834	177,834
Markup accrued		**206,362**	**206,362**	349,377	349,377
Short term borrowings - secured	9	**159,685**	**159,685**	985,954	985,954
		11,783,545	**11,783,545**	15,296,198	15,296,198

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
		Rupees '000	
2013			
Assets carried at fair value			
Derivative financial instrument	-	-	**55,394**
2012			
Derivative financial instrument	-	-	-

33.5 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.

Derivative financial assets

The fair value of derivative is based on bank's valuation. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract. Interest rates used to discount estimated future cash flows are based on the respective currency's yield curve.

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.

33.6 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

Fauji Foundation holds 37.18 % ordinary shares and 100% preference 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. Transactions with related parties are as follows:

	2013 Rupees'000	2012 Rupees'000
Transactions with associated undertakings/companies due to common directorship		
- Sale of cement	**15,321**	622
- Payment for use of medical facilities	**98**	36
- Payment on account of clearance of shipments	**214**	14,515
- Preference dividend paid	**175,572**	66,885
- Payment of rent and utilities	**5,934**	4,397
- Amount payable-unsecured	**-**	300,000
- Repayment of amount payable	**300,000**	-
Employees Funds		
- Payments made into the fund	**26,667**	17,875
Others		
- Remuneration to key management personnel (including retirement benefits)	**42,344**	28,343

35 PLANT CAPACITY AND ACTUAL PRODUCTION

	2013 Metric Tons	2012 Metric Tons
Current installed capacity	**3,433,500**	2,926,980
Actual production	**2,497,529**	2,010,006

Difference is due to supply demand situation of the market.

36 EMPLOYEES PROVIDENT FUND TRUST

	2013	2012
Size of the Fund (Rupees'000)	**254,894**	193,896
Cost of investments made (Rupees'000)	**218,698**	171,726
Percentage of investments made (%)	**85.80**	88.57
Fair value of investments (Rupees'000)	**231,096**	181,777

	2013		2012	
	Rupees'000	% of full	Rupees'000	% of full
Defense Saving Certificates	**17,893**	**8**	17,893	10
Term deposits in different banks	**149,563**	**68**	105,805	62
Term finance certificates	**49,425**	**23**	46,211	27
Listed securities	**1,817**	**1**	1,817	1
	218,698	**100**	171,726	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. 3,500 million (2012: Rs. 347 million and Rs. 1,650 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

	2013	2012
Employees on year end (Number)	**1,061**	1,093
Average employees during the year (Number)	**1,077**	1,178

37.3 Comparative figures have been reinstated where necessary

37.4 Figures have been rounded off to the nearest thousand of Rupee unless otherwise stated.

Chief Executive

Director

Annex-A

No. of Shareholders	From	To	Total Shares Held
240	1	100	6,930
1195	101	500	563,435
1769	501	1,000	1,746,691
3481	1,001	5,000	10,922,070
1445	5,001	10,000	12,384,417
495	10,001	15,000	6,530,689
386	15,001	20,000	7,333,752
288	20,001	25,000	6,976,326
177	25,001	30,000	5,099,522
92	30,001	35,000	3,082,846
108	35,001	40,000	4,222,661
52	40,001	45,000	2,254,690
210	45,001	50,000	10,420,720
44	50,001	55,000	2,344,311
48	55,001	60,000	2,830,671
29	60,001	65,000	1,836,705
34	65,001	70,000	2,344,908
34	70,001	75,000	2,516,408
20	75,001	80,000	1,581,002
15	80,001	85,000	1,265,500
14	85,001	90,000	1,247,000
12	90,001	95,000	1,130,000
142	95,001	100,000	14,183,500
17	100,001	105,000	1,753,999
15	105,001	110,000	1,639,000
7	110,001	115,000	783,225
12	115,001	120,000	1,421,500
21	120,001	125,000	2,613,059
13	125,001	130,000	1,669,649
11	130,001	135,000	1,463,758
11	135,001	140,000	1,534,000
10	140,001	145,000	1,427,850
39	145,001	150,000	5,840,742
6	150,001	155,000	927,000
6	155,001	160,000	958,500
2	160,001	165,000	321,990
5	165,001	170,000	840,000
12	170,001	175,000	2,085,209
10	175,001	180,000	1,788,500
3	180,001	185,000	547,500
6	185,001	190,000	1,125,000
3	190,001	195,000	581,311
48	195,001	200,000	9,599,242
6	200,001	205,000	1,218,723
6	205,001	210,000	1,255,250
5	210,001	215,000	1,064,745

8	215,001	220,000	1,750,850
4	220,001	225,000	899,300
2	225,001	230,000	456,500
2	230,001	235,000	470,000
4	235,001	240,000	954,000
2	240,001	245,000	490,000
20	245,001	250,000	4,992,000
1	250,001	255,000	251,620
2	260,001	265,000	530,000
1	265,001	270,000	269,500
1	275,001	280,000	278,683
1	285,001	290,000	290,000
1	290,001	295,000	293,000
26	295,001	300,000	7,796,500
3	300,001	305,000	908,353
4	305,001	310,000	1,235,341
1	315,001	320,000	320,000
5	320,001	325,000	1,625,000
1	325,001	330,000	330,000
1	330,001	335,000	332,000
2	335,001	340,000	673,500
2	340,001	345,000	685,500
9	345,001	350,000	3,145,531
1	350,001	355,000	351,500
1	365,001	370,000	369,000
1	375,001	380,000	380,000
3	385,001	390,000	1,166,000
19	395,001	400,000	7,600,000
1	405,001	410,000	407,000
1	415,001	420,000	415,440
1	425,001	430,000	430,000
1	430,001	435,000	435,000
2	435,001	440,000	880,000
3	440,001	445,000	1,329,000
8	445,001	450,000	3,596,350
1	455,001	460,000	460,000
1	470,001	475,000	475,000
1	475,001	480,000	480,000
1	490,001	495,000	494,000
20	495,001	500,000	9,998,000
1	520,001	525,000	525,000
1	525,001	530,000	529,500
1	535,001	540,000	540,000
4	545,001	550,000	2,200,000
1	550,001	555,000	552,000
1	580,001	585,000	582,000
7	595,001	600,000	4,200,000
1	600,001	605,000	600,100
1	620,001	625,000	622,500

1	645,001	650,000	650,000
2	655,001	660,000	1,318,398
8	695,001	700,000	5,600,000
3	745,001	750,000	2,250,000
1	750,001	755,000	755,000
1	760,001	765,000	761,300
2	770,001	775,000	1,546,964
1	775,001	780,000	780,000
1	780,001	785,000	785,000
1	785,001	790,000	790,000
1	790,001	795,000	795,000
4	795,001	800,000	3,200,000
1	805,001	810,000	810,000
1	825,001	830,000	829,300
1	855,001	860,000	858,000
1	865,001	870,000	866,000
1	875,001	880,000	878,500
2	960,001	965,000	1,924,000
1	965,001	970,000	969,500
5	995,001	1,000,000	5,000,000
1	1,035,001	1,040,000	1,039,000
1	1,045,001	1,050,000	1,050,000
1	1,070,001	1,075,000	1,075,000
1	1,090,001	1,095,000	1,094,000
4	1,095,001	1,100,000	4,396,975
1	1,120,001	1,125,000	1,125,000
1	1,145,001	1,150,000	1,150,000
1	1,170,001	1,175,000	1,173,000
2	1,195,001	1,200,000	2,400,000
1	1,210,001	1,215,000	1,215,000
1	1,245,001	1,250,000	1,249,000
1	1,295,001	1,300,000	1,300,000
1	1,315,001	1,320,000	1,318,900
1	1,395,001	1,400,000	1,400,000
1	1,475,001	1,480,000	1,479,580
3	1,495,001	1,500,000	4,500,000
1	1,540,001	1,545,000	1,542,367
1	1,560,001	1,565,000	1,564,000
1	1,565,001	1,570,000	1,566,500
1	1,570,001	1,575,000	1,574,661
1	1,595,001	1,600,000	1,595,500
1	1,615,001	1,620,000	1,617,502
1	1,645,001	1,650,000	1,650,000
1	1,660,001	1,665,000	1,664,000
1	1,675,001	1,680,000	1,675,500
1	1,695,001	1,700,000	1,700,000
1	1,715,001	1,720,000	1,717,500
1	1,735,001	1,740,000	1,739,100
1	1,760,001	1,765,000	1,760,562

1	1,785,001	1,790,000	1,790,000
1	1,795,001	1,800,000	1,800,000
1	1,895,001	1,900,000	1,900,000
6	1,995,001	2,000,000	12,000,000
1	2,165,001	2,170,000	2,167,000
1	2,235,001	2,240,000	2,239,500
1	2,295,001	2,300,000	2,300,000
1	2,300,001	2,305,000	2,301,000
1	2,395,001	2,400,000	2,400,000
2	2,495,001	2,500,000	5,000,000
1	2,575,001	2,580,000	2,576,500
1	2,645,001	2,650,000	2,650,000
1	2,660,001	2,665,000	2,662,000
1	2,795,001	2,800,000	2,800,000
1	2,845,001	2,850,000	2,847,935
1	2,895,001	2,900,000	2,900,000
1	3,130,001	3,135,000	3,130,365
1	3,440,001	3,445,000	3,444,500
1	3,545,001	3,550,000	3,550,000
1	3,705,001	3,710,000	3,708,500
1	3,795,001	3,800,000	3,800,000
1	3,815,001	3,820,000	3,817,750
1	4,315,001	4,320,000	4,317,500
1	4,395,001	4,400,000	4,400,000
1	4,995,001	5,000,000	5,000,000
1	5,220,001	5,225,000	5,225,000
1	5,285,001	5,290,000	5,289,700
1	5,295,001	5,300,000	5,300,000
1	5,345,001	5,350,000	5,347,500
1	5,430,001	5,435,000	5,432,750
1	5,790,001	5,795,000	5,793,600
1	6,395,001	6,400,000	6,400,000
1	6,675,001	6,680,000	6,677,000
1	6,740,001	6,745,000	6,743,500
1	6,915,001	6,920,000	6,916,500
1	7,575,001	7,580,000	7,575,500
1	7,995,001	8,000,000	8,000,000
1	8,495,001	8,500,000	8,500,000
1	9,615,001	9,620,000	9,619,500
1	9,785,001	9,790,000	9,790,000
1	9,790,001	9,795,000	9,795,000
1	11,995,001	12,000,000	12,000,000
1	12,670,001	12,675,000	12,675,000
1	15,095,001	15,100,000	15,100,000
1	16,240,001	16,245,000	16,241,000
1	17,765,001	17,770,000	17,766,000
2	18,745,001	18,750,000	37,500,000
1	21,015,001	21,020,000	21,016,000
1	25,980,001	25,985,000	25,981,000

1	36,335,001	36,340,000	36,340,000
1	48,695,001	48,700,000	48,699,187
1	56,305,001	56,310,000	56,309,000
1	93,745,001	93,750,000	93,750,000
1	494,950,001	494,955,000	494,951,055
10,926			**1,379,815,025**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	7	0.0000%
5.2 Associated Companies, undertakings and related parties. (Parent Company)	674,900,242	48.9124%
5.3 NIT and ICP	1,542,367	0.1118%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	76,224,110	5.5242%
5.5 Insurance Companies	17,308,673	1.2544%
5.6 Modarabas and Mutual Funds	23,168,000	1.6791%
5.7 Share holders holding 10%	543,650,242	39.4002%
5.8 General Public		
a. Local	428,118,813	31.0273%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
a- InvestmentCompanies	1,257,000	0.0911%
b- Joint Stock Companies	75,871,739	5.4987%
c- Pension Funds	386,000	
d- Others	60,828,874	4.4085%
e- Foreign Companies	20,209,200	1.4646%

Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties			
1	COMMITTEE OF ADMIN. FAUJI FOUNDATION (CDC)	494,951,055	35.8708
2	FAUJI FOUNDATION (Preference Shares)	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
Mutual Funds			
1	CDC - TRUSTEE ABL STOCK FUND (CDC)	2,301,000	0.1668
2	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND (CDC)	498,000	0.0361
3	CDC - TRUSTEE AKD INDEX TRAKER FUND (CDC)	175,000	0.0127
4	CDC - TRUSTEE ASKARI ASSET ALLOCATION DUND (CDC)	795,000	0.0576
5	CDC - TRUSTEE ASKARI EQUITY FUND (CDC)	300,000	0.0217
6	CDC - TRUSTEE CROSBY DRAGON FUND (CDC)	440,000	0.0319
7	CDC - TRUSTEE HBL - STOCK FUND (CDC)	6,677,000	0.4839
8	CDC - TRUSTEE KASB ASSET ALLOCATION FUND (CDC)	2,000	0.0001
9	CDC - TRUSTEE KASB IMCOME OPPETUNITY FUND (CDC)	961,500	0.0697
10	CDC - TRUSTEE MCBDYNAMIC ALLOCATION FUND (CDC)	351,500	0.0255
11	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND (CDC)	1,094,000	0.0793
12	CDC - TRUSTEE PICIC INCOME FUND - MT (CDC)	2,662,000	0.1929
13	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	2,900,000	0.2102
14	FIRST CAPITAL MUTUAL FUND (CDC)	200,000	0.0145
15	MCBFSL - TRUSTEE ABL AMC CAPITAL PROTECTED FUND (CDC)	25,000	0.0018
16	MCBFSL - TRUSTEE NAMCO BALANCED FUND - MT (CDC)	1,039,000	0.0753
17	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET (CDC)	100,000	0.0072
18	POLININ FUNDS [1500-0] (CDC)	2,400,000	0.1739
19	TRUSTEE - PALISTAN PESION FUND - EQUITY SUB FUND (CDC)	167,000	0.0121
20	PRUDENTIAL STOCKS FUND LTD. (CDC)	500	0.0000
21	PRUDENTIAL STOCKS FUND LTD. (03360) (CDC)	15,000	0.0011
Directors and their Spouse and Minor Children			
1	LT GEN MUHAMMAD MUSTAFA KHAN, HI(M) (RETD)	1	0.0000
2	LT GEN MUHAMMAD SABIR, HI(M) (RETD)	1	0.0000
3	MR. QAISER JAVED	1	0.0000
4	DR. NADEEM INAYAT	1	0.0000
5	BRIG PAREZ SARWAR KHAN (RETD)	1	0.0000
6	BRIG DR. GULFAM ALAM (RETD)	1	0.0000
7	BRIG MUHAMMAD SAEED KHAN (RETD)	1	0.0000

Name	No. of Shares Held	Percentage
Executives	-	-
Public Sector Companies & Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	93,983,283	6.8113%

Shareholders holding five percent or more voting interest in the Company

1	FAUJI FOUNDATION (ORDINARY + PREFERENCE SHARES)	543,650,242	39.4002
2	FAUJI FERTILIZER COMPANY LTD (CDC)	93,750,000	6.7944

No trade has been carried out in the shares of the Company by its Directors, Executives and their Spouses and their Minor children.

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at 1000 hours 24th September 2013 (Tuesday) at Hotel Pearl Continental The Mall, Rawalpindi, to transact the following business:-

1. To confirm the Minutes of 8th Extra-Ordinary General Meeting held on 5th December 2012.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the Year ended 30th June 2013.

3. To appoint Statutory Auditors of the Company and fix their remuneration.

4. To approve payment of Final Dividend of Rs. 1.25 per share for the year ended 30th June 2013 as recommended by the Board of Directors to those who are share holders as at close of business on 17th September 2013.

5. Any other business with the permission by the Chairman.

By order of the Board

Place: Rawalpindi
Date: 26th August 2013

Brig (R) Sajjad Azam Khan
Company Secretary

NOTES

1. The Share Transfer Books of the Company will remain closed from 18th September 2013 to 24th September 2013 (both days inclusive). Transfers received in order at the Share Registrar office M/s Corplink (Pvt) Ltd, Wings Arcade, 1 K Commercial, Model Town Lahore, at close of business on 17th September 2013 will be treated in time for the entitlement of cash dividend and to attend the Annual General Meeting.

2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the member. Proxies, in order to be effective, must be received at the 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 Meeting. A member may not appoint more than one proxy. A copy of shareholder's attested CNIC must be attached with the proxy form.

3. CDC Account Holders are required to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:-

(a) For Attending the Meeting

i. In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original computerized national identity card or original passport at the time of attending the Meeting.

ii. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures of the nominee shall be produced at the Meeting.

(b) For Appointing Proxies

i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

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

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

iv. The Proxy shall produce his/her original CNIC or original passport at the time of Meeting.

v. In case of corporate entity, the Board of Directors' resolution /

power of attorney with specimen signatures shall be submitted along with proxy form to the Company.

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

5. As per SECP directives, the future dividend warrants of the share holders whose CNICs are not available with the Share Registrar could be withheld. All share holders having physical share holding are advised to submit copies of their valid Computerised National Identity Cards (CNIC) to the Share Registrar at the above address.

6. Under the law, Share holders are entitled to receive their cash dividends directly in their bank accounts instead of receiving the same physically. Share holders having physical holding and desiring to use the option may submit their request to the Company's Share Registrar. The share holders having CDC account may approach CDC for the same.

7. For any other information, please contact Ph: 051-9280075, Fax No: 051 – 9280416.

E-mail: sajjad@fccl.com.pk Web Site: www.fccl.com.pk

I/We ____

of____

being Member (s) of Fauji Cement Company Limited hold ____________________
Ordinary Shares hereby appoint Mr./Mrs./Miss of ____________________
____________________ or failing him/her ____________________
of ____________ as my / our proxy in my / our absence to attend and vote for me/us
and on my/our behalf at the **21st Annual General Meeting** of the Company to be held on Tuesday, **24th September 2013** and at any adjournment thereof.
As witness my/our hand/seal this ____________________ day __________2013.

Signed by____
said in the presence of :-
(1) Name ____________________Address:____________________
____________________ N.I.C No:____________________

(2) Name ____________________Address:____________________
____________________N.I.C. No: ____________________

Folio No	CDC Account #	
	Participant I.D.	Account #

Signature on
Five Rupees
Revenue Stamp

The signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Form of proxy, duly completed and signed, must be received at the registered office of the Company, at Fauji Tower, Block III, Tipu Road, Rawalpindi Pakistan, not less then 48hours 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