Annual Report 2007

Fauji Cement Company Limited

MOODY INTERNATIONAL CERTIFICATION ISO 9001 APPROVED

UKAS QUALITY MANAGEMENT Registration Number 014

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Contents

Company Information

- **Board of Directors**

Lt Gen Syed Arif Hasan, HI (M) (Retired)	Chairman
Maj Gen Malik Iftikhar Khan, HI (M) (Retired)	Chief Executive / MD
Mr. Qaiser Javed	Director
Mr. Riyaz H. Bokhari, IFU	Director
Brig Munawar Ahmed Rana, SI(M) (Retired)	Director
Ms Tine Bremholm Kokfelt, FLS	Director
Brig Arif Rasul Qureshi, SI (M) (Retired)	Director
Brig Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director

Company Secretary:	Brig Shabbir Ahmed (Retired) House No. 62, Khayaban-e-Iqbal (Margalla Road), F-7/2, Islamabad - Pakistan Tel: (051) 9221690 Fax: (051) 9221693 E-mail: secretary@fccl.com.pk Web Site: http: //www.fccl.com.pk
Chief Financial Officer	Mr. Omer Ashraf Tel: (051) 2651762
Registered Office and Marketing and Sales Department:	Ist Floor, Aslam Plaza, 60 Adam Jee Road, Sadar, Rawalpindi – Pakistan Tel: (051) 5523836, 5528042,5528963-64 Fax: (051) 5528965-66
Factory:	Near Village Jhang, Tehsil Fateh Jang District: Attock Tel: 057-2538047-48, 2538138, 2538148 – 49 Fax: 057-2538025
Auditors:	M/s KPMG Taseer Hadi & Company Chartered Accountants Fax No: (051) 2822671
Legal Advisors:	M/s Orr Dignam & Company Advocates Fax No: (051) 2260653 Farooq Law Associates, Advocates & Attorneys Fax No: (051) 2272643
Registration & Shares Transfer Officer:	Mr. Aftab Muhammad Hafeez, Manager (Shares) House No. 62, Khayaban-e-Iqbal (Margalla Road), F-7/2, Islamabad Tel: (051) 9221694 (051) 9221695

Chairman

Lt Gen Syed Arif Hasan
HI (M) (Retired)

Chief Executive & Managing Director

Maj Gen Malik Iftikhar Khan
HI (M) (Retired)

Board of Directors


Mr. Qaiser Javed


Mr. Riyaz H. Bokhari, IFU


Brig Munawar Ahmed Rana SI (M) (Retired)


Ms Tine Bremholm Kokfelt, FLS


Brig Arif Rasul Qureshi SI (M) (Retired)


Brig Rahat Khan SI (M) (Retired)

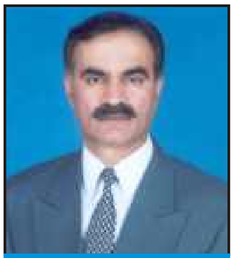

Dr. Nadeem Inayat


Brig Shabbir Ahmed (Retired) Company Secretary

Key Management

Mir Khawar Saleem
Director (Project) New Line

Mr. Omer Ashraf
Chief Financial Officer



Birg M. Mushtaq Khattak (Retired)
GM (Marketing & Sales)

Mr. Rais Ahmad
GM (Project) New Line

Mr. Afzaal Shaiq Qadri
GM (Plant)

Committees of The Board of Directors

Human Resources Committee

Dr. Nadeem Inayat	-	President
Mr. Qaiser Javed	-	Member
Brig Munawar Ahmed Rana (Retd)	-	Member
Brig Shabbir Ahmed (Retd), Company Secretary	-	Secretary

Audit Committee

Mr. Qaiser Javed	-	President
Mr. Riyaz H. Bokhari	-	Member
Brig Rahat Khan (Retd)	-	Member
Dr. Nadeem Inayat	-	Member
Brig Shabbir Ahmed (Retd), Company Secretary	-	Secretary

Technical Committee

Brig Rahat Khan (Retd)	-	President
Brig Munawar Ahmed Rana (Retd)	-	Member
Brig Arif Rasul Qureshi (Retd)	-	Member
Mr. Afzaal Shaiq Qadri, GM (Plant)	-	Secretary

Vision & Mission Statements

Vision

"To transform **FCCL** *into a role model cement manufacturing Company fully aware of generally accepted principles of corporate social responsibilities engaged in nation building through most efficient utilisation of resources and optimally benefiting all stake holders while enjoying public respect and goodwill".*

Mission

" **FCCL** *while maintaining its leading position in quality of cement and through greater market outreach will build up and improve its value addition with a view to ensuring optimum returns to the shareholders".*

Operating Highlights

Key Indicators		2001	2002	2003	2004	2005	2006	2007
Operating								
Gross Profit Margin	%	19.50	25.13	11.62	32.26	38.01	51.12	31.52
Operating Profit Margin	%	15.08	19.98	8.09	(1.70)	34.75	47.64	28.74
Pre Tax Margin	%	(35.70)	(5.86)	(34.67)	(10.60)	26.68	41.48	22.76
After Tax Margin(%)	%	(36.21)	(6.96)	(35.17)	13.68	17.94	28.08	18.66
Performance								
Return on total assets	%	(10.14)	(1.60)	(8.42)	5.32	8.20	19.42	10.10
Total Assets turnover	Times	0.28	0.23	0.24	0.39	0.46	0.69	0.54
Fixed Assets turnover	Times	0.31	0.33	0.33	0.52	0.63	0.97	0.81
Return on Paid up Share Capital	%	(33.30)	(2.63)	(12.67)	7.49	12.17	28.70	15.41
Leverage								
Debt Equity Ratio	Times	20.06	2.05	2.66	1.88	1.26	0.60	0.38
Current Ratio	Times	0.11	1.42	1.53	1.54	0.92	1.25	1.35
Quick Ratio	Times	0.09	1.27	1.43	1.38	0.88	1.13	1.23
Valuation								
Earnings per share(basic)	Rs	(3.33)	(0.64)	(1.43)	0.85	1.38	3.25	1.74
Breakup Value per share(basic)	Rs	1.33	12.43	4.38	5.23	6.61	8.85	10.07
Breakup Value per share(diluted)	Rs	1.33	12.39	3.87	4.62	5.84	7.83	8.91
Dividend per share	Rs	Nil	Nil	Nil	Nil	Nil	1.50	–
Dividend payout Ratio	%	N/A	N/A	N/A	N/A	N/A	31%	–
Market Price per share (average)	Rs	2.42	3.40	7.23	14.15	12.76	19.38	20.09
Historical Trends								
Trading Results								
Sales-net	Rs in 000	1,575,604	1,586,606	1,510,738	2,296,231	2,845,143	4,286,138	3,463,283
Gross Profit	Rs in 000	307,202	398,707	175,605	740,824	1,081,576	2,191,111	1,091,495
Operating Profit/(loss)	Rs in 000	237,677	317,023	122,213	(39,068)	988,673	2,041,984	995,285
Profit/ (loss) before tax	Rs in 000	(562,455)	(92,947)	(523,731)	(243,291)	759,039	1,777,687	788,180
Profit/ (loss) after tax	Rs in 000	(570,455)	(110,480)	(531,381)	314,148	510,490	1,203,735	646,323
Financial Position								
Shareholders Equity	Rs in 000	228,674	2,156,367	1,624,986	1,939,134	2,449,624	3,282,617	3,735,206
Property plant & Equipment	Rs in 000	5,210,007	4,854,117	4,659,449	4,729,254	4,658,272	4,563,115	4,392,450
Working Capital	Rs in 000	(3,342,227)	223,735	249,006	202,345	(90,112)	312,183	511,240
Non current liabilities	Rs in 000	1,660,706	4,204,714	4,215,938	3,599,103	2,567,218	1,648,292	1,223,195

Notice of 15th Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the Company will be held at 0900 hours 23 October 2007 (Tuesday) at Hotel Pearl Continental Rawalpindi, to transact the following business:-

ORDINARY BUSINESS

1. To confirm the Minutes of 5th Extra Ordinary General Meeting held on 30 March 2007.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the Year ended 30 June 2007.
3. To appoint Statutory Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass the following Special Resolution subject to any amendment as may be approved by the shareholders:-

RESOLUTION

"RESOLVED that Article 64 of the Articles of Association of the Company be and is hereby replaced as under:-

64. Every Director, other than the regularly paid Chief Executive or a full time working Director shall be entitled to be paid as remuneration for his services a fee as decided by the Board for attending Board Meetings. Every Director (including each alternate director) shall be entitled to be reimbursed expenses incurred in consequence of his attendance at meetings of the Directors".

ORDINARY BUSINESS

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

By order of the Board

Place: Rawalpindi
Date: 1 October 2007

Brig Shabbir Ahmed (Retd)
Company Secretary

NOTES

(1) The Share Transfer Books of the Company will remain closed from 17 October 2007 to 24 October 2007 (both days inclusive). No transfer will be accepted for registration during this period.

(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 First Floor, Aslam Plaza, 60 Adam Jee Road, Sadar, Rawalpindi, Pakistan duly stamped and signed, not less than 48 hours before the Meeting. A member may not appoint more than one proxy. Proxy Form is attached. A copy of shareholder's attested NIC 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 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 signature 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 NIC numbers shall be mentioned on the form.

iii. Attested copies of NIC 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 NIC or original passport at the time of Meeting.

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

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

(5) For any other information, please contact Ph: 051-9221690, Fax No: 051-9221693,
E-mail: secretary@fccl.com.pk and Web Site: www.fccl.com.pk.

Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984

1. This statement sets out the material facts concerning the special business given in agenda item No. 4 of the notice, to be transacted at the 15th Annual General Meeting of Fauji Cement Company Limited to be held at Hotel Pearl Continental, Rawalpindi on 23 October 2007.

2. The existing fee to directors for attending the Board Meetings was fixed in 1992 which is not as per current market benchmarks. Therefore, there is a need to revise the fee.

Directors' Report - 2007

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 15th Annual Report together with audited financial statements of the Company for the year ended 30 June 2007 and the Auditors' Report.

Market Overview

2. The Cement Industry witnessed an unprecedented demand for its product during Fiscal Year 2006-07. Total cement despatches stood at 24.22 million tons which is the highest figure ever achieved by the Cement Industry. It reflected a record growth of 31.56 percent over 18.4 million tons of sales during last Fiscal Year. Whereas, local demand grew by 24.4 percent over last year, the exports witnessed a strong and healthy growth of 112 percent to an all-time high level of 3.188 million tones in the wake of rising international demand, as compared to 1.5 million tons during the last year.

3. During the year under review, the capacity utilization stood at 80% as compared to 88% of last year. The reduction was mainly attributed to start up of new lines of production which had increased the capacity from 24 mtpa to 33.4 mtpa. At the end of Fiscal Year 07, per capita cement consumption in Pakistan increased by 11.961 % to 131 Kg as compared to 117 Kg in Fiscal Year 06.

4. Comparing with industry, capacity utilization of FCCL stood at 98.00 %, which was higher by 6.6% over last year. The highlights of the performance of the Company vis-à-vis the Industry are as under:-

COMPARISON OF DESPATCHES

a. **FCCL Comparison**

		2006-07	2005-06	Difference (%)
(1)	Domestic Despatches (tons)	990,823	952,771	3.99%
(2)	Exports (tons)	152,268	113,410	34.26%
(3)	Total Despatches (tons)	1,143,091	1,066,181	7.21%
(4)	Capacity Utilization (%)	98.08%	91.48%	7.21%
(5)	Clinker Production (tons)	1,098,019	1,058,368	3.75%
(6)	Cement Production (tons)	1,153,711	1,064,649	8.37%
(7)	Sales (tons)	1,143,091	1,066,181	7.21%

b. **Industry Comparison**

		2006-07	2005-06	Difference (%)
(1)	Domestic Despatches (tons)	21,034,278	16,907,138	24.41%
(2)	Exports (tons)	3,188,424	1,505,159	111.83%
(3)	Total Despatches (tons)	24,222,702	18,412,297	31.56%
(4)	Capacity Utilization	80.07%	87.93%	-8.94%

Production Review

5. Performance of the plant remained above satisfactory level with an overall efficiency exceeding 98.9%. Efficiency in terms of fuel, power and raw material consumption at our plant is among the best.

6. Project for 6MW Captive Power Plant has been successfully completed .

Financial Performance

7. **Profitability.** The Company earned a Profit After Tax of Rs. 646 Million as compared to last year's profit of Rs. 1,204 Million. The profit from operations decreased from Rs. 2,042 Million to Rs. 995 Million depicting a decrease of 51.26 % owing to reduction in cement prices and higher manufacturing cost.

8. **Contribution to National Exchequer.** The Company has contributed a sum of Rs. 1,383 Million to the national exchequer in the form of taxes and duties during the year. Concurrently, Fauji Cement earned USD 7.428 Million through export of cement.

9. **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.

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

11. **Accounting Policies.** Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change in accounting policy as stated in note 2.8 to the financial statements and accounting estimates are based on reasonable and prudent judgement.

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

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

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

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

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

Description	2007	2006	2005	2004	2003	2002
Operating Results						
(Rs. in Million)						
Net Sales	3,463.283	4,286.138	2,845.143	2,296.231	1,510.738	1,586.606
Gross Profit	1,091.495	2,191.111	1,081.576	740.824	175.605	398.707
Operating Profit	995.285	2,041.984	988.673	723.084	122.213	317.023
Financial Charges	207.105	264.297	229.634	204.223	463.409	416.732
Profit/(Loss) after taxation	646.323	1,203.735	510.490	314.148	(531.381)	(110.480)
Balance Sheet						
Shareholder's Equity	3,735.206	3,282.617	2,449.624	1,939.134	1,624.986	2,156.367
Fixed Assets	4,392.450	4,563.115	4,658.272	4,729.254	4,659.449	4,854.117
Long Term Loans including Current portion	1,425.000	1,975.000	3,075.000	3,645.347	4,325.878	4,412.582
EPS (Rs)						
Basic	1.74	3.25	1.38	0.85	(1.43)	(0.64)
Diluted	1.54	2.87	1.22	0.75	(1.27)	(0.63)

17. **Outstanding Statutory Dues.** The Company does not have any outstanding statutory dues.

18. **Value of Investment of Employees.** Value as on 30 June 2007 is given below:-

		Management Staff	Non-Management Staff
Provident Fund	:	Rs. 43,370,276	Rs. 28,383,705

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. The Board's primary role is the protection and enhancement of long term shareholders' value. To fulfil 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 Resources Committee.

Attendance of Meetings

20. During the year under review, the Board of Directors and Audit Committee held five meetings each. Attendance by each director is as follows:-

a. **Board of Directors**

			No of Meetings Attended
(1)	Lt Gen Syed Arif Hasan, HI (M), (Retired)	-	5
(2)	Maj Gen Malik Iftikhar Khan, HI (M) (Retired)	-	5
(3)	Mr. Qaiser Javed	-	5
(4)	Mr. Riyaz H. Bokhari, IFU	-	3
(5)	Brig Munawar Ahmed Rana, SI (M) (Retired)	-	5
(6)	Brig Arif Rasul Qureshi, SI (M) (Retired)	-	5
(7)	Brig Rahat Khan, SI (M) (Retired)	-	5
(8)	Dr. Nadeem Inayat	-	5
(9)	Ms Tine Bremholm Kokfelt, FLS	-	Nil

b. **Audit Committee**

			No of Meetings Attended
(1)	Mr. Qaiser Javed	-	5
(2)	Mr. Riyaz H. Bokhari, IFU	-	2
(3)	Brig Rahat Khan, SI (M) (Retired)	-	3
(4)	Dr. Nadeem Inayat	-	4

Note: Chief Financial Officer (CFO) and Internal Auditor were invariably invited to attend the meetings of Audit Committee. External Auditors were also invited to attend two meetings of Audit Committee, wherein, issues related to annual and half year's financial statements were discussed.

Disclosures

21. 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 Company's Shares during the FY 2006-07.

Pattern of Share-holding

22. Pattern of share-holding as on 30 June 2007 is attached.

Relations With Personnel and Locals

23. Relations between the Management and the Workers continued to be extremely cordial based on mutual respect and confidence contributing to the optimal efficiency. The Company has allocated funds for Provident Fund and Profit Participation Fund for its employees.

24. Concurrently, the Company continues to enjoy a high degree of goodwill and cooperation with local community as it respects their environment through responsible business practices. The Company runs a free dispensary for the locals and also provides good education facilities up to secondary school level at reasonable fee.

Election of Directors

25. During the year under review, election of Directors of the Company was held and the present Board of Directors was unanimously elected for a term of three years.

Directors

26. There has been no change in the composition of Board during the year.

Auditors

27. The present Auditors M/s KPMG Taseer Hadi & Co; Chartered Accountants will stand retired at the conclusion of the 15th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee, subject to compliance with clause (xli) of Code of Corporate Governance.

Product Quality

28. FCCL has always endeavoured to produce the best quality cement in Pakistan, which is amply reflected in 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 partners in the business. It strictly adheres to the following:-

a. **Quality Policy.** Customers' satisfaction through quality assurance.

b. **Objectives**

(1) To be a cost effective and efficient organisation.

(2) Continuous improvement through well planned training.

(3) Commitment to leadership and team-work.

(4) To maintain quality culture within FCCL.

(5) To remain a leading manufacturer of high quality Portland Cement in Pakistan.

29. The Company, by grace of Almighty ALLAH, is an ISO 9001-2000 Certified Company and also recommended for ISO-14001-2004 for Environmental Management System.

Future Outlook

30. Keeping in view the growing demand of cement in future, Fauji Cement has decided to enhance its production capacity. For this purpose a complete new line of 7200 tons per day clinker will be installed parallel to the existing line. The salient aspects of the Project are given below:-

a. Agreements for supply of engineering and equipment have been signed with German Firms Polysius, Haver & Boecker, Loesche and Swiss Firm ABB.

b. The plant will be the biggest ever single line in Pakistan, and the equipment will comprise of the latest state of the art technology developed by leading foreign companies.

c. For the purpose of civil works, erection and local fabrication a contract has been awarded to M/s DESCON Engineering Lahore, who have a wide experience in such tasks.

d. Local fabrication and procurement have been encouraged to the maximum extent to utilise local sources to save on cost and foreign exchange.

e. The plant will start commercial production in early 2010 Insha Allah.

Acknowledgment

31. The Directors express their deep appreciation of our valued customers, the dedication of Company's employees to their professional obligations and the cooperation extended by financial institutions / government agencies, which have enabled the Company to display excellent performance both in operational and financial fields.

Conclusion

32. With profound gratitude to the blessings of Allah Almighty, the Board is of the opinion that the Company remains on its way to success.

For and on behalf of the Board

Rawalpindi
21 August 2007

Lt Gen Syed Arif Hasan, HI(M) (Retd)
Chairman

Statement of Compliance with the Code of Corporate Governance For the Year Ended 30 June 2007

This Statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and 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.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board comprises nine directors, out of whom only one is an executive director. Remaining eight (including the Chairman) are non-executive directors.

2. The directors have confirmed that none is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company have confirmed that they 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 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policy guidelines for the Company. The Management has further elaborated these guidelines into detailed control systems. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The same are being updated.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

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

9. All the Directors of the Board are fully conversant with their duties and responsibilities as Directors. Orientation course for Directors and officials of the Company was conducted during the fiscal year 2005.

10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment as determined by the CEO. The Head of Internal Audit has the access to the chair of Audit Committee, whenever necessary.

11. The Directors' Report for FY 2006-2007 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises four members and all of them are non-executive directors including the President of the Committee.

16. The meetings of the Audit Committee were held at least once a quarter prior to approval of interim and annual results of the Company as required by the Code. The Committee is following the terms of reference as given in the Code of Corporate Governance.

17. The Board has set up an effective internal audit function. The officials conducting internal audit are considered suitably qualified and experienced for the purpose; and are conversant with the policies and procedures of the Company and they are involved in internal audit function on full time basis.

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

19. 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.

20. We confirm that all other material principles contained in the Code have been appropriately complied with to ensure transparency, accountability and efficiency.

Rawalpindi
21 August 2007

Lt Gen Syed Arif Hasan, HI (M) (Retd)
Chairman
NIC No 37405-6648041-1

Review Report to the Members on Directors' Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Directors' Statement of Compliance with the best practices 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. 37, 36 and Chapter VIII of the Karachi, Islamabad and Lahore Stock Exchanges respectively 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

KPMG Taseer Hadi

ISLAMABAD
21 August 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 polices consistently applied except for the change as indicated in note 2.8 with which we concur;

(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, cash flow statement and statement of

Changes in equity together with the notes forming part thereof confirm 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 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

ISLAMABAD

21 August 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Balance Sheet as at June 30, 2007

	Note	2007 Rupees ('000)	2006 Rupees ('000)
SHARE CAPITAL AND RESERVES			
Share capital	3	**4,194,422**	4,194,422
Accumulated loss		**(459,216)**	(911,806)
		3,735,206	3,282,616
NON - CURRENT LIABILITIES			
Long term financing	4	**875,000**	1,425,000
Deferred liability - staff retirement benefit	5	**8,277**	7,912
Deferred tax liability - net	6	**339,918**	215,381
CURRENT LIABILITIES			
Trade and other payables	7	**468,447**	421,074
Markup accrued		**48,330**	59,771
Short term running finances	8	**375,510**	236,353
Current portion of long term financing	4	**550,000**	550,000
		1,442,287	1,267,198
		6,400,688	6,198,107
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 32 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 2007.

Chief Executive

	Note	2007 Rupees ('000)	2006 Rupees ('000)
FIXED ASSETS - Tangible			
Property, plant and equipment	10	**4,392,450**	4,563,115
LONG TERM ADVANCE	11	**8,100**	9,000
LONG TERM DEPOSITS	12	**46,611**	46,611
CURRENT ASSETS			
Stores, spares and loose tools	13	**468,769**	490,887
Stock in trade	14	**183,309**	145,090
Trade debts	15	**19,558**	25,475
Advances, deposits, prepayments and other receivables	16	**858,758**	70,339
Cash and bank balances	17	**423,133**	847,590
		1,953,527	1,579,381
		6,400,688	6,198,107

Director

Profit and Loss Account

For the Year Ended June 30, 2007

	Note	2007 Rupees ('000)	2006 Rupees ('000)
SALES	18	**4,780,036**	5,683,455
Less: Government levies	18	**(1,316,753)**	(1,397,317)
NET SALES		**3,463,283**	4,286,138
Less: Cost of sales	19	**(2,371,788)**	(2,095,027)
GROSS PROFIT		**1,091,495**	2,191,111
Other operating income	20	**73,835**	43,324
		1,165,330	2,234,435
Distribution cost	21	**(40,645)**	(31,695)
Administrative expenses	22	**(71,302)**	(66,629)
Other operating expenses	23	**(58,098)**	(94,127)
PROFIT FROM OPERATIONS		**995,285**	2,041,984
Finance cost	24	**(207,105)**	(264,297)
NET PROFIT BEFORE TAXATION		**788,180**	1,777,687
Taxation			
- Current	25	**(17,320)**	(21,431)
- Deferred	25	**(124,537)**	(552,521)
		(141,857)	(573,952)
NET PROFIT AFTER TAXATION		**646,323**	1,203,735
Earnings per share - Basic (Rupees)	26.1	**1.74**	3.25
Earnings per share - Diluted (Rupees)	26.2	**1.54**	2.87

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the Year Ended June 30, 2007

	Note	2007 Rupees ('000)	2006 Rupees ('000)
Cash flows from operating activities			
Net profit before taxation		788,180	1,777,687
Adjustments for:			
Depreciation		283,454	266,532
Provision for staff retirement benefit		6,372	45,812
Spares written off		931	18,528
Debt written off		929	-
Provision for bad debt		6,781	-
Workers' Profit Participation Fund including interest		41,576	96,535
Finance cost		207,105	264,297
Gain on disposal of property, plant and equipment		(100)	(1,301)
Interest income		(68,079)	(34,600)
		478,969	655,803
Operating cash flows before working capital changes		1,267,149	2,433,490
Increase in stores and stocks		(17,032)	(214,706)
(Increase)/decrease in trade debts		(1,793)	81,756
Increase in advances, deposits, prepayments and other receivables		(788,687)	(13,841)
Increase in trade and other payables		117,658	49,560
		(689,854)	(97,231)
Cash generated from operations		577,295	2,336,259
Staff retirement benefits paid		(36,371)	(43,095)
Payment to Workers' Profit Participation Fund		(93,655)	(42,922)
Taxes paid		(16,550)	(27,414)
Net cash from operating activities		430,719	2,222,828
Cash flows from investing activities			
Additions in property, plant and equipment		(112,789)	(196,257)
Claim received on insurance of property, plant and equipment		-	1,063
Proceeds from disposal of property, plant and equipment		100	1,704
Interest received on bank deposits		68,477	30,126
Net cash used in investing activities		(44,212)	(163,364)
Cash flows from financing activities			
Repayment of long term finances		(550,000)	(1,100,000)
Dividend paid		(181,575)	(368,578)
Finance cost paid		(218,546)	(273,882)
Net cash used in financing activities		(950,121)	(1,742,460)
(Decrease)/ increase in cash and cash equivalents		(563,614)	317,004
Cash and cash equivalents at beginning of the year		611,237	294,233
Cash and cash equivalents at end of the year	27	47,623	611,237

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

For the Year Ended June 30, 2007

	Ordinary share capital Rupees ('000)	Preference share capital Rupees ('000)	Accumulated loss Rupees ('000)	Total Rupees ('000)
Balance as at June 30, 2005	3,707,430	486,992	(1,744,798)	2,449,624
Profit for the year	-	-	1,203,735	1,203,735
Interim dividend at Re 1 per ordinary share	-	-	(370,743)	(370,743)
Balance as at June 30, 2006	3,707,430	486,992	(911,806)	3,282,616
Profit for the year	-	-	646,323	646,323
Dividends				
Final 2006: Rs. 0.50 per ordinary share	-	-	(185,372)	(185,372)
Preference shares	-	-	(8,361)	(8,361)
Balance as at June 30, 2007	3,707,430	486,992	(459,216)	3,735,206

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements

For the Year Ended June 30, 2007

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 Aslam Plaza, Adamjee Road, Rawalpindi. Fauji Foundation holds 45.8% of the Company's ordinary shares.

The Company is planning to construct a new production line of 7,200 ton per day clinker capacity and the related financial close is in process.

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention and significant estimates

These financial statements have been prepared under the historical cost convention.

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.

2.2.1 Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and the impairment.

2.2.2 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares. 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.

2.2.3 Taxation

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

2.3 New accounting standards, interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes; and
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

2.4 Taxation

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. In case of tax losses, provision for tax is provided on the basis of 0.5% of the turnover as required under section 113 of Income Tax Ordinance, 2001.

Deferred

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 recognised 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.

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

2.5 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 exchange differences previously capitalized which related to foreign currency loans obtained for financing of relevant asset.

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 10. Depreciation on depreciable assets is commenced from the month the asset is available for use upto the date when the asset is disposed off.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.6 Impairment

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

2.7 Stores, spares and loose tools

These are stated at moving average cost less allowance for obsolete and slow moving stores, if any. Cost comprises invoice value and other costs incurred for bringing the store items at their present location and condition for intended use.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

2.8 Stock in trade

Stocks are valued at lower of cost and net realizable value. Cost in relation to raw material, packing materials, work in process and finished goods represents average cost comprising direct material, labour and appropriate manufacturing overheads. Cost in relation to raw and packing materials was previously being determined using First in First Out (FIFO) basis. This change has been made to adopt a uniform policy for stock in trade and the impact on opening retained earning, profit for comparative period and the inventory is not material and hence comparative figures have not been restated. Cost comprises invoice value and other cost incurred for bringing the stock at their present location and condition for intended use. Net realizable value represents the estimated selling price less estimated cost of completion and cost necessarily to be incurred for such sale.

2.9 Foreign currency transactions

Transactions in foreign currencies are recorded into local currency at the rates of exchange prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Exchange differences are included in the profit and loss account.

2.10 Revenue recognition

Sales are recorded on dispatch of goods to the customers. Profit on deposits and advances is accounted for on a time proportion basis using the applicable rate of interest.

2.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, 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. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 2.13.

2.12 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognized at cost and subsequently measured at fair value and amortized cost respectively. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

Trade debts and other receivables are recognized at sales value less allowance for impairment, if any. 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.

2.13 Borrowing cost

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related qualifying asset. All other mark-up, interest and related charges are charged to the profit and loss account.

2.14 Staff retirement benefits

Provident fund

The Company operates a defined contribution 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 of its employees on unavailed leaves according to the Company's policy.

2.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand, deposits at banks and short term running finances.

2.16 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the Company's functional currency.

2.17 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 resources embodying in economic benefits will be required to settle the obligation and the reliable estimate of the amount can be made.

2.18 Dividend

Dividend on ordinary shares is recognized as a liability in the period in which it is declared.

3. **SHARE CAPITAL**

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2007 Number ('000)	2006 Number ('000)		**2007 Rupees ('000)**	2006 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
370,743	370,743		**3,707,430**	3,707,430
		Preference shares (note 3.1)		
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
419,442	419,442		**4,194,422**	4,194,422

AUTHORISED SHARE CAPITAL

This represents 951,300,813 (2006 : 551,300,813) ordinary shares of Rs. 10 each and 48,699,187 (2006 : 48,699,187) preference shares of Rs. 10 each.

3.1 Preference shares have the following characteristics :

(i) Entitling the holder to receive cumulative preferential dividend in amounts and during the years set out below preferential dividend in the event the Company has funds available from operations to pay the preferential dividend, it is profitable and current on its debt service obligations:

Year ending	Amount of Dividend Rupees ('000)
2007	8,361
2008	8,361
2009	16,721
2010	33,442
2011	66,885
2012	175,573
2013	210,687
2014	227,408
2015	240,785

(ii) Convertible into ordinary shares at any time without further payment, such conversion being irreversible once exercised.

(iii) Except as provided above, having the same rights as ordinary shares in the Company including pari passu voting rights with ordinary shares.

3.2 Fauji Foundation holds 169,780,232 (2006: 169,780,232) ordinary shares and 48,699,187 (2006: 48,699,187) preference shares of the Company at the year end.

		Note	2007 Rupees ('000)	2006 Rupees ('000)
4.	**LONG TERM FINANCING**			
	- Loans from banking companies-Secured			
	Habib Bank Limited		**431,818**	598,485
	MCB Bank Limited		**431,818**	598,485
	United Bank Limited		**215,909**	299,242
	Bank Al Falah Limited		**215,909**	299,242
	PICIC Commercial Bank Limited		**129,546**	179,546
		4.1	**1,425,000**	1,975,000
	Less: Amount payable within 12 months shown under current liabilities		**(550,000)**	(550,000)
			875,000	1,425,000

Maturity dates

Annual maturities of long term financing are as follows:

	2007	2006
2007	**-**	550,000
2008	**550,000**	550,000
2009	**550,000**	550,000
2010	**325,000**	325,000
	1,425,000	1,975,000

4.1 This represents a syndicated term finance facility obtained from local banks which is secured against mortgage and first charge ranking pari passu on all assets of the Company. This facility carries interest rate of 6 months' KIBOR plus 1.75% per annum and payable on a six monthly basis. Balance amount of loan is to be repaid in half yearly installments in arrears with final installment due on March 23, 2010.

5. DEFERRED LIABILITY - Staff retirement benefit

Compensated absences	2007 Rupees ('000)	2006 Rupees ('000)
Balance at beginning of the year	**41,902**	28,272
Add: Charge for the year	**6,372**	19,109
	48,274	47,381
Less: Amount paid during the year	**(36,371)**	(5,479)
	11,903	41,902
Less: Amount transferred to current liabilities	**(3,626)**	(33,990)
	8,277	7,912

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 payable on discretion of employee and therefore the balance of unavailed compensated absences over that period has been transferred to current liabilities.

6. DEFERRED TAX LIABILITY - Net

	2007 Rupees ('000)	2006 Rupees ('000)
Deductible temporary differences		
Unused tax losses	**(471,689)**	(721,319)
Provision for doubtful debts	**(2,547)**	(548)
Taxable temporary difference		
Excess of accounting book value of fixed assets over their tax base	**814,154**	937,248
	339,918	215,381

7. TRADE AND OTHER PAYABLES

	2007	2006
Creditors	**110,191**	59,763
Accrued liabilities	**118,828**	63,470
Retention money	**11,986**	12,843
Security deposits	**39,051**	37,986
Advances from customers	**67,770**	58,744
Workers' Profit Participation Fund (7.1)	**41,483**	93,562
Workers' Welfare Fund (7.2)	**16,085**	-
Sales tax payable	**32,599**	39,235
Excise duty payable	**8,582**	10,264
Other liabilities	**3,922**	3,023
Staff gratuity fund (7.3)	**-**	6,028
Compensated absences	**3,626**	33,990
Dividend payable on preference shares	**8,361**	-
Unclaimed dividend	**5,963**	2,166
	468,447	421,074

7.1 Workers' Profit Participation Fund (WPPF)

	2007	2006
Balance at beginning of the year	**93,562**	39,949
Interest on funds utilised in Company's business	**93**	2,972
Allocation of the year	**41,483**	93,563
Payment to the fund during the year	**(93,655)**	(42,922)
	41,483	93,562
Allocation of the year is made up as follows:		
Profit for the year before tax and WPPF	**829,663**	1,871,249
Charge for the year at the rate of 5%	**41,483**	93,563

7.2 Pursuant to the requirement of Finance Act, 2006 effective from 01 July 2006, the Company has allocated Rs. 16.085 million to Workers' Welfare Fund on the basis of its accounting profit for the year.

7.3 During the year, the Company has terminated its staff gratuity fund scheme and the balance amount has been paid to the employees

8. SHORT TERM RUNNING FINANCES - SECURED

The Company has obtained running finance facilities of Rs. 1,500 million (2006: Rs. 500 million) from banking companies. These facilities are secured against first charge ranking pari passu by way of hypothecation over the present and future assets of the Company (excluding land and building) and carry markup at the rate of 1 month's KIBOR plus 1 % per annum and payable on quarterly basis.

9. CONTINGENCIES AND COMMITMENTS

9.1 **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 Central Board of Revenue (CBR) as not qualifying for the concessionary rate of duty. The status of the cases out of the above amount are as follows:

(i) Case for Rs. 347.048 million was decided in the Company's favour by the Sindh High Court (SHC).
(ii) Case for Rs. 15.797 million was decided by the SHC against the Company.

Both the above cases are pending in appeals before the 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. 318.514 million has been claimed by Custom Authorities by revising the above 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 CBR 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 this matter. The final recommendations of ADRC on this matter are pending. However the management of the Company is confident of a favourable outcome.

b) The Company is contesting a claim for damages in civil court, 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 case will ultimately be decided in favour of the Company.

c) The Company is contesting a claim for damages amounting to Euros 833,120 equivalent Pak Rs. 64.15 million in a tribunal of Arbitrators filed by a supplier of plant and machinery against which the Company has filed a counter claim of Euros 410,914 equivalent Pak Rs.

31.64 million and Rs. 11.284 million (less the aggregate sum of equivalent Pak Rs. 21.33 million previously recovered/adjusted by the Company). No liability has been accounted for as the management is confident that the case will ultimately be decided in favour of the Company.

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 the court of Senior Civil Judge. 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) The Company is contesting a case against the Monopoly Control Authority, which is currently pending before the Honourable Lahore High Court, Rawalpindi Bench. The management is confident that the Company has reasonable grounds to success and since there is no financial liability involved, no provision has been made in these financial statements.

f) The Company is contingently liable in respect of guarantees amounting to Rs. 154 million (2006: Rs. 172.75 million) issued by banks and insurance companies on behalf of the Company in the normal course of business.

9.2 **Commitments**

a) The Company has opened Letters of Credit for the import of machinery, spare parts and coal valuing Rs. 188.26 million (2006: Rs. 148.96 million).`

b) Capital commitments of Rs. 1.614 million (2006 : Rs 1.614 million) in respect of purchase of power plant.

c) Capital commitments of Rs. 5,542 million (2006: Nil) in respect of new cement manufacturing line. The Company has entered into agreements with various suppliers for the construction of new line with 7,200 tons per day clinker capacity however effectiveness of these agreements is dependent upon successful compliance with the terms and conditions of the agreement with plant supplier.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building on freehold land	Plant, machinery and equipment	Office equipment	Computers	Electric installation and other equipment	Furniture and fittings	Motor vehicles	Quarry road and development	Capital work in progress (note 10.1)	Total
	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
Cost											
Balance as at 01 July 2005	141,246	1,463,387	4,771,837	4,463	5,729	65,212	6,210	38,853	27,855	166,918	6,691,710
Additions during the year	-	-	205,850	1,144	3,055	1,413	820	10,818	-	162,444	385,544
Disposals	-	-	-	-	(64)	-	-	(4,355)	-	-	(4,419)
Transfers	-	-	(35,025)	-	-	-	-	-	-	(189,288)	(224,313)
Balance as at 30 June 2006	141,246	1,463,387	4,942,662	5,607	8,720	66,625	7,030	45,316	27,855	140,074	6,848,522
Balance as at 01 July 2006	141,246	1,463,387	4,942,662	5,607	8,720	66,625	7,030	45,316	27,855	140,074	6,848,522
Additions during the year	-	3,001	68,286	833	18,552	3,734	1,094	24,555	-	70,922	190,977
Disposals	-	-	-	-	-	-	-	(1,126)	-	-	(1,126)
Transfers	-	-	-	-	-	-	-	-	-	(78,188)	(78,188)
Balance as at 30 June 2007	141,246	1,466,388	5,010,948	6,440	27,272	70,359	8,124	68,745	27,855	132,808	6,960,185
Depreciation											
Balance as at 01 July 2005	-	464,041	1,457,255	3,282	4,065	56,179	5,571	21,814	21,231	-	2,033,438
Depreciation charge for the year	-	56,351	194,877	381	1,638	2,550	227	7,723	2,785	-	266,532
Disposals	-	-	-	-	(40)	-	-	(2,913)	-	-	(2,953)
Transfers	-	-	(11,610)	-	-	-	-	-	-	-	(11,610)
Balance as at 30 June 2006	-	520,392	1,640,522	3,663	5,663	58,729	5,798	26,624	24,016	-	2,285,407
Balance as at 01 July 2006	-	520,392	1,640,522	3,663	5,663	58,729	5,798	26,624	24,016	-	2,285,407
Depreciation charge for the year	-	57,459	204,948	498	3,552	2,595	329	11,288	2,785	-	283,454
Disposals	-	-	-	-	-	-	-	(1,126)	-	-	(1,126)
Balance as at 30 June 2007	-	577,851	1,845,470	4,161	9,215	61,324	6,127	36,786	26,801	-	2,567,735
Carrying amounts - 2006	141,246	942,995	3,302,140	1,944	3,057	7,896	1,232	18,692	3,839	140,074	4,563,115
Carrying amounts - 2007	141,246	888,537	3,165,478	2,279	18,057	9,035	1,997	31,959	1,054	132,808	4,392,450
Rates of depreciation	-	4%	4%	15%	33.33%	15%/10%	15%	25%	10%		

10.1 Capital work in progress mainly represents cost incurred for setting up captive power plant.

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

	2007 Rupees ('000)	2006 Rupees ('000)
Cost of sales	**276,244**	261,566
Distribution cost	**1,746**	1,083
Administrative expenses	**5,464**	3,883
	283,454	266,532

10.3 Detail of property, plant and equipment disposed off during the year:

	Original cost Rupees ('000)	Book value Rupees ('000)	Sale proceeds Rupees ('000)	Gain Rupees ('000)	Mode of disposal
Motor vehicle	560	0.001	50	50	As per Company policy to Company employee
Motor vehicle	566	0.001	50	50	As per Company policy to Company employee
2007	1,126	0.002	100	100	
2006	4,419	1,466	2,767	1,301	

11. LONG TERM ADVANCE - Considered good

	Note	2007 Rupees ('000)	2006 Rupees ('000)
Sui Northern Gas Pipelines Limited	11.1	**9,000**	9,000
Less: Amount receivable within 12 months shown under current assets		**(900)**	-
		8,100	9,000

11.1 This represents long term advance for construction of gas pipeline. It is repayable annually in equal installments over 10 years and carries mark-up @ 1.5% per annum.

12. LONG TERM DEPOSITS

	2007 Rupees ('000)	2006 Rupees ('000)
Islamabad Electric Supply Company Limited	**21,600**	21,600
Sui Northern Gas Pipelines Limited	**25,011**	25,011
	46,611	46,611

12.1 These represent interest free deposits for provision of utilities to the plant and are repayable on disconnection of services.

	Note	2007 Rupees ('000)	2006 Rupees ('000)
13. STORES, SPARES AND LOOSE TOOLS			
Stores		**61,997**	198,485
Spares (Including items in transit of Rs. 83 million (2006: Rs. 49.04 million)	13.1	**394,046**	280,183
Loose tools		**12,726**	12,219
		468,769	490,887

13.1 This includes spares stated at net realizable value of Rs. 4.887 million (2006 : Rs. 4.887 million).

	2007 Rupees ('000)	2006 Rupees ('000)
14. STOCK IN TRADE		
Raw and packing material	**23,931**	28,012
Work in process	**115,221**	93,671
Finished goods	**44,157**	23,407
	183,309	145,090
15. TRADE DEBTS		
Unsecured		
Considered good	**7,769**	16,646
Considered doubtful	**8,348**	1,567
	16,117	18,213
Secured considered good	**11,789**	8,829
Less: Provision for doubtful debts	**(8,348)**	(1,567)
	19,558	25,475

	Note	2007 Rupees ('000)	2006 Rupees ('000)
16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - Considered good			
To suppliers	16.1	**815,588**	31,523
To employees		**621**	1,639
Due from associated undertaking -unsecured	16.2	**5,464**	3,190
Others	16.3	**11,000**	-
Current portion of long term advance		**900**	-
Deposits		**1,795**	1,865
Prepayments		**3,125**	9,937
Advance tax-net		**13,104**	13,874
Interest accrued		**5,077**	5,475
Other receivables- Considered good		**2,084**	2,836
		858,758	70,339

16.1 These include advances amounting to Rs. 796 million given to suppliers under agreements for construction of new cement manufacturing line however effectiveness of these agreements is dependent upon successful compliance with the terms and conditions of the agreement with plant supplier.

16.2 This represents amount due from Fauji Foundation Resident Director Office, Karachi. This relates to normal business operations of the Company and is interest free.

16.3 This represents advance to a banking company on account of arrangement of borrowing for new cement manufacturing plant.

	Note	2007 Rupees ('000)	2006 Rupees ('000)
17. CASH AND BANK BALANCES			
Cash at banks			
Deposit accounts	17.1	**402,907**	798,122
Current accounts		**20,048**	49,253
		422,955	847,375
Cash in hand		**178**	215
		423,133	847,590

17.1 Balances with banks include Rs. 39,051 million (2006: Rs. 37,986 million) in respect of security deposits received.

17.2 Deposits of Rs. 4 million (2006: Rs. 4 million) with banks are under lien for letters of guarantee issued on behalf of the Company.

18. SALES - Net		2007 Rupees ('000)	2006 Rupees ('000)
Sales	- Local	**4,354,132**	5,194,641
	- Export	**425,904**	488,814
		4,780,036	5,683,455
Less:	Sales tax	**573,238**	681,518
	Excise duty	**742,395**	714,581
	Export development surcharge	**1,120**	1,218
		1,316,753	1,397,317
		3,463,283	4,286,138

19. COST OF SALES

	Note	2007 Rupees ('000)	2006 Rupees ('000)
Raw materials consumed:			
Opening stock		**8,955**	10,184
Purchases		**230,991**	204,522
Closing stock		**(4,567)**	(8,955)
		235,379	205,751
Packing material consumed		**221,116**	182,873
Stores and spares consumed		**11,171**	6,052
Spares written off		**931**	18,528
Salaries, wages and benefits (including retirement benefits of Rs. 4.183 million (2006: Rs. 23.992 million)		**133,780**	142,070
Rent, rates and taxes		**2,213**	2,562
Insurance		**12,363**	12,689
Fuel consumed		**979,044**	843,909
Power consumed		**431,609**	393,785
Depreciation	10.2	**276,244**	261,566
Repairs and maintenance		**85,712**	86,755
Technical assistance		**8,772**	-
Vehicle running and maintenance expenses		**7,111**	5,326
Printing and stationery		**920**	1,009
Traveling and conveyance		**3,167**	2,760
Communication, establishment and other expenses		**4,556**	9,008
		2,414,088	2,174,643
Add: Opening work-in-process		**93,671**	11,624
Less: Closing work-in-process		**(115,221)**	(93,671)
Cost of goods manufactured		**2,392,538**	2,092,596
Add: Opening finished goods		**23,407**	25,838
Less: Closing finished goods		**(44,157)**	(23,407)
		2,371,788	2,095,027

20. OTHER OPERATING INCOME

	2007 Rupees ('000)	2006 Rupees ('000)
Income from financial assets		
Profit on bank deposits	**68,079**	34,600
Interest on long term advance	**135**	135
	68,214	34,735
Income from assets other than financial assets		
Gain on disposal of property, plant and equipment	**100**	1,301
Others	**5,521**	7,288
	73,835	43,324

21. DISTRIBUTION COST

	Note	2007 Rupees ('000)	2006 Rupees ('000)
Salaries, wages and benefits (including retirement benefits of Rs. 0.675 million (2006 : Rs.3.517 million)		**20,651**	21,388
Traveling and entertainment		**705**	524
Vehicle running and maintenance expenses		**2,745**	1,314
Rent, rates and taxes		**1,353**	1,112
Repairs and maintenance		**173**	275
Printing and stationery		**416**	403
Depreciation	10.2	**1,746**	1,083
Communication, establishment and other expenses		**2,871**	2,376
Advertisement and sale promotion expenses		**2,029**	2,866
Debt written off		**929**	-
Provision for bad debt		**6,781**	-
Insurance		**246**	354
		40,645	31,695

22. ADMINISTRATIVE EXPENSES

	Note	2007	2006
Salaries, wages and benefits (including retirement benefits Rs. 1.260 million (2006: Rs.4.898 million)		**42,439**	35,663
Traveling and entertainment		**3,487**	3,286
Vehicle running and maintenance expenses		**2,385**	2,273
Insurance		**594**	532
Rent, rates and taxes		**5,934**	4,302
Repairs and maintenance		**960**	1,515
Printing and stationery		**1,941**	1,463
Communication, establishment and other expenses		**5,817**	4,884
Legal and professional charges		**2,281**	3,490
Depreciation	10.2	**5,464**	3,883
Donation	22.1	**-**	5,338
		71,302	66,629

22.1 Directors or their spouses do not have any interest in the donee agency.

23. OTHER OPERATING EXPENSES

	2007	2006
Auditors' remuneration:		
Annual audit	**325**	325
Half yearly review	**100**	100
Out of pocket expenses	**50**	50
Other certifications	**50**	85
Out of pocket expenses - other certifications	**5**	5
	530	565
Workers' Profit Participation Fund (note 7.1)	**41,483**	93,562
Workers' Welfare Fund	**16,085**	-
	58,098	94,127

24. FINANCE COST

	2007 Rupees ('000)	2006 Rupees ('000)
Fee and charges on loans	**500**	500
Interest/mark-up on long term finance	**200,642**	254,030
Interest/mark-up on long term loan from related party	**-**	456
Interest on short term borrowing	**779**	1,095
Interest on Workers' Profit Participation Fund	**93**	2,972
Guarantee commission	**972**	484
Bank charges and commission	**4,119**	4,760
	207,105	264,297

25. TAXATION

	2007	2006
Current	**17,320**	21,431
Deferred	**124,537**	552,521
	141,857	573,952

25.1 The charge for current taxation is worked out based on the minimum tax at the rate of 0.5 percent on sales less Government levies under section 113 of the Income Tax Ordinance, 2001. The following is a reconciliation of relationship between tax charge and accounting profit.

	2007 Rupees ('000)	2006 Rupees ('000)
Accounting profit for the year	**788,180**	1,777,687
Applicable tax rate	**35%**	35%
Income tax at applicable rate	**275,863**	622,190
Tax effect of temporary differences	**(117,278)**	(5,283)
Tax effect of permanent differences	**-**	4,025
Tax effect of low rates on certain income	**(34,048)**	(68,411)
Minimum tax required at applicable rates	**17,320**	21,431
	141,857	573,952

25.2 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. Up to and including assessment Year 2001-2002, the appeals filed by the Company were decided by the Commissioner (Appeals) for the most part in the Company's favour. However, appeal filed for Assessment Year 2002-2003 was decided against the Company. The tax department and the Company are contesting the Appellate Orders of the Commissioner (Appeals) before the Income Tax Appellate Tribunal (ITAT) for issues not decided in their favour in Assessment Years 1998-99 to 2002-2003. The appeals are pending disposal by the ITAT.

Tax returns filed by the Company for Tax Years 2003 to 2006 (years ended 30 June 2003 to 2006) stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, tax authorities are empowered to reopen the assessment at any time within 5 years from date of assessment.

No provision has been made in these financial statements in respect of outstanding issues as management is confident of a favourable outcome.

26. EARNINGS PER SHARE

		2007	2006
26.1	**Basic**		
	Profit after taxation (Rupees '000)	**646,323**	1,203,735
	Weighted average number of ordinary shares outstanding during the year (numbers ‘000)	**370,743**	370,743
	Earnings per share -basic (Rupees)	**1.74**	3.25
26.2	**Diluted**		
	Profit after taxation (Rupees '000)	**646,323**	1,203,735
	Weighted average number of ordinary shares and Convertable preference shares outstanding during the years (numbers ‘000)	**419,442**	419,442
	Earnings per share -diluted (Rupees)	**1.54**	2.87

27. CASH AND CASH EQUIVALENTS

	2007 Rupees ('000)	2007 Rupees ('000)
Cash and bank balances	**423,133**	847,590
Short term running finances	**(375,510)**	(236,353)
	47,623	611,237

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Managing Director		Executives	
	2007 Rupees ('000)	2006 Rupees ('000)	**2007 Rupees ('000)**	2006 Rupees ('000)
Managerial remuneration	**3,199**	2,956	**18,293**	8,240
Provident fund	**150**	136	**612**	345
Gratuity	**-**	104	**-**	2,376
Compensated absences	**299**	299	**854**	1,389
Utilities and upkeep	**864**	802	**1,016**	829
	4,512	4,297	**20,775**	13,179
No of persons	**1**	2	**13**	10

28.1 In addition, the above were provided with free medical facilities. The Managing Director and certain executives were also provided Company's maintained cars and household equipment in accordance with the Company's policy.

28.2 Meeting fee of directors charged during the year was Rs. 0.023 million (2006: Rs. 0.016 million), number of directors: 6 (2006: 9).

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 **Financial assets and liabilities**

2007

	Markup/Interest bearing							
	Maturity upto one year	Maturity between one to two years	Maturity between two to three years	Maturity between three to four years	Maturity between four to five years	Maturity after five years	Non interest bearing	Total
Financial assets	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
Long term deposits	-	-	-	-	-	-	46,611	46,611
Long term advance	900	900	900	900	900	4,500	-	9,000
Trade debts	-	-	-	-	-	-	19,558	19,558
Advances, deposits and other receivables	-	-	-	-	-	-	14,420	14,420
Cash and bank balances	402,907	-	-	-	-	-	20,226	423,133
	403,807	900	900	900	900	4,500	100,815	512,722
Financial liabilities								
Long term financing	550,000	550,000	325,000	-	-	-	-	1,425,000
Short term running finances	375,510	-	-	-	-	-	-	375,510
Trade and other payables	-	-	-	-	-	-	359,496	359,496
Markup accrued	-	-	-	-	-	-	48,330	48,330
	925,510	550,000	325,000	-	-	-	407,826	2,208,336

2006

	Markup/Interest bearing							
	Maturity upto one year	Maturity between one to two years	Maturity between two to three years	Maturity between three to four years	Maturity between four to five years	Maturity after five years	Non interest bearing	Total
Financial assets	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
Long term deposits	-	-	-	-	-	-	46,611	46,611
Long term advance	-	900	900	900	900	5,400	-	9,000
Trade debts	-	-	-	-	-	-	25,475	25,475
Advances, deposits and other receivables	-	-	-	-	-	-	13,366	13,366
Cash and bank balances	798,122	-	-	-	-	-	49,468	847,590
	798,122	900	900	900	900	5,400	134,920	942,042
Financial liabilities								
Long term financing	550,000	550,000	550,000	325,000	-	-	-	1,975,000
Short term running finances	236,353	-	-	-	-	-	-	236,353
Trade and other payables	-	-	-	-	-	-	312,831	312,831
Markup accrued	-	-	-	-	-	-	59,771	59,771
	786,353	550,000	550,000	325,000	-	-	372,602	2,583,955

29.2 The effective interest rates for financial assets and liabilities are as follows:

	2007	2006
Assets	Interest rates %	
Long term advance	**1.50**	1.5
Cash and bank balances	**1.50-12.20**	1.50-10.10
Liabilities		
Long term financing	**11.89**	10.13
Short term running finances	**10.6**	9.65

29.3 **Fair value of financial assets and liabilities**
The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

29.4 **Concentration of credit risk**
All financial assets except cash in hand are subject to credit risk. Since major part of the Company's sales is against advance payment, the Company believes that it is not exposed to major concentration of credit risk . To manage exposure to credit risk, the Company applies credit limits to its customers besides obtaining guarantees and by dealing with a variety of major banks and financial institutions.

29.5 **Currency risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. In case of the Company this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

29.6 **Liquidity risk**
Liquidity risk is the risk that an enterprise will encounter difficulties in funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

30. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Foundation, 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. Amount due from the related party is shown under receivables and the remuneration of the Chief Executive and executives is disclosed in note 28 to these financial statements. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2007	2006
	Rupees ('000)	Rupees('000)
Fauji Foundation (parent)		
- Sale of cement	**15,610**	13,129
- Dividends paid	**84,890**	169,780
- Interest paid on long term financing	**-**	456
- Payment for use of medical facilities	**86**	38
- Payment on account of clearance of shipments	**32,000**	24,665
- Preference dividend	**8,361**	-
Employees Funds		
- Contributions made by the Company	**5,952**	39,630

31. PLANT CAPACITY AND ACTUAL PRODUCTION

	2007 Metric Tons	2006 Metric Tons
Current installed capacity	**1,165,500**	1,165,500
Actual production	**1,153,711**	1,064,649

Difference is due to demand and supply situation of the product.

32. GENERAL

32.1 Figures have been rounded off to the nearest thousand of Rupees.

Chief Executive

Director

Pattern of Share-holding
as on 30 June 2007

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held Ordinary Shares of Rs. 10/- Each
44	1	100	2,398
1,345	101	500	667,665
1,894	501	1,000	1,893,347
3,398	1,001	5,000	10,594,751
957	5,001	10,000	8,119,163
307	10,001	15,000	4,080,200
218	15,001	20,000	4,157,500
167	20,001	25,000	4,056,288
101	25,001	30,000	2,909,188
47	30,001	35,000	1,571,000
37	35,001	40,000	1,438,300
26	40,001	45,000	1,125,191
67	45,001	50,000	3,329,000
14	50,001	55,000	746,000
24	55,001	60,000	1,420,000
9	60,001	65,000	571,000
7	65,001	70,000	483,000
17	70,001	75,000	1,273,500
11	75,001	80,000	872,000
4	80,001	85,000	337,500
10	85,001	90,000	883,000
6	90,001	95,000	558,500
36	95,001	100,000	3,595,000
3	100,001	105,000	304,833
5	105,001	110,000	540,500
6	110,001	115,000	683,000
6	115,001	120,000	715,500
11	120,001	125,000	1,368,000
5	125,001	130,000	647,500
1	130,001	135,000	133,000
5	135,001	140,000	697,500
4	140,001	145,000	571,500
7	145,001	150,000	1,045,000
1	150,001	155,000	155,000
2	155,001	160,000	315,500
4	160,001	165,000	654,078

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held Ordinary Shares of Rs. 10/- Each
1	165,001	170,000	166,000
2	170,001	175,000	346,000
1	175,001	180,000	180,000
2	180,001	185,000	369,838
2	185,001	190,000	377,000
2	190,001	195,000	388,500
15	195,001	200,000	3,000,000
3	200,001	205,000	609,500
1	205,001	210,000	206,000
4	215,001	220,000	873,500
4	220,001	225,000	898,500
3	225,001	230,000	690,000
1	230,001	235,000	234,000
3	235,001	240,000	720,000
3	245,001	250,000	750,000
1	250,001	255,000	250,500
2	255,001	260,000	520,000
1	260,001	265,000	260,500
1	265,001	270,000	270,000
1	270,001	275,000	275,000
1	275,001	280,000	278,500
1	285,001	290,000	287,500
4	295,001	300,000	1,198,500
1	315,001	320,000	319,500
1	320,001	325,000	321,500
1	325,001	330,000	329,000
1	330,001	335,000	332,000
1	340,001	345,000	341,500
3	345,001	350,000	1,050,000
1	360,000	365,000	364,000
1	365,001	370,000	365,500
2	370,001	375,000	750,000
1	390,001	395,000	390,500
2	395,001	400,000	800,000
1	400,001	405,000	402,500
1	415,001	420,000	417,000
1	420,001	425,000	425,000
1	455,001	460,000	459,000
1	460,000	465,000	462,500
1	465,001	470,000	470,000

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held Ordinary Shares of Rs. 10/- Each
5	495,001	500,000	2,500,000
1	520,001	525,000	524,500
1	545,001	550,000	550,000
1	580,001	585,000	583,000
1	595,001	600,000	597,500
1	600,001	605,000	603,000
1	625,001	630,000	630,000
1	630,001	635,000	630,500
2	695,001	700,000	1,400,000
2	705,001	710,000	1,413,500
1	840,001	845,000	844,500
1	865,001	870,000	868,500
1	920,001	925,000	921,000
1	935,001	940,000	940,000
1	950,001	955,000	953,000
1	985,001	990,000	990,000
2	995,001	1,000,000	2,000,000
1	1,070,000	1,075,000	1,075,000
1	1,085,001	1,090,000	1,087,000
1	1,195,001	1,200,000	1,200,000
1	1,295,001	1,300,000	1,300,000
1	1,435,001	1,440,000	1,440,000
1	1,455,001	1,460,000	1,458,500
1	1,775,001	1,780,000	1,778,000
1	2,045,001	2,050,000	2,046,000
1	2,360,001	2,370,000	2,367,500
1	2,390,001	2,395,000	2,395,000
1	2,595,001	2,600,000	2,600,000
1	3,225,001	3,230,000	3,229,500
1	3,425,001	3,430,000	3,429,000
1	4,075,001	4,080,000	4,079,500
1	4,090,001	4,095,000	4,094,000
1	4,210,001	4,215,000	4,215,000
1	4,995,001	5,000,000	4,999,183
2	7,285,001	7,290,000	14,579,400
1	7,760,001	7,765,000	7,763,500
1	35,210,001	35,215,000	35,214,500
1	48,650,001	48,700,000	48,699,187
1	169,780,001	169,785,000	169,780,225
8933			**419,442,235**

Categories of Shareholders as on 30 June 2007	Shares held	Percentage
Directors		
Lt Gen Syed Arif Hasan, HI(M) (Retd)	1	
Maj Gen Malik Iftikhar Khan, HI(M) (Retd)	1	
Mr. Qaiser Javed	1	
Brig Munawar Ahmed Rana (Retd)	1	
Brig Arif Rasul Qureshi (Retd)	1	
Brig Rahat Khan (Retd)	1	
Dr. Nadeem Ianyat	1	
Spouses and minor children of Directors/CEO	NIL	
Executives	NIL	
Associated companies, undertaking and related parties	NIL	
NIT and ICP	–	–
Banks, Development Finance Institutions, Non Banking Finance Institutions	28,264,425	6.74
Insurance Companies	572,831	0.14
Leasing Companies	1,200,000	0.28
Mudarabas and Mutual Funds	8,601,000	2.05
Shareholders holding 10% or above		
Fauji Foundation	218,479,412	52.09
General Public		
a. Local	147,745,160	35.22
b. Foreign	NIL	
Others (Foreign Investors)		
Industrialization Fund for Developing Countries (IFU)	7,289,700	1.74
F.L. Smidth & Co. A/S (FLS)	7,289,700	1.74
Total Shares Held	**419,442,235**	100.00

Form of Proxy - 15th Annual General Meeting

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 15th Annual General Meeting of the Company to be held on Tuesday, 23 October 2007 and at any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ____________________2007.

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 Four 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 **First Floor, Aslam Plaza, 60 Adam Jee Road, Sadar, Rawalpindi Pakistan,** not less than 48 hours before the time of holding the meeting.

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
Fauji Cement Company Limited
First Floor, Aslam Plaza,
60 Adam Jee Road,
Saddar,
Rawalpindi - Pakistan

If undelivered please return to:

Company Secretary

Fauji Cement Company Limited

1st Floor, Aslam Plaza, 60 Adam Jee Road,
Saddar, Rawalpindi — Pakistan