



FAUJI CEMENT COMPANY LIMITED

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FAUJI CEMENT COMPANY LIMITED

COMPANY INFORMATION

at a glance

Board of Directors

Lt Gen Hamid Rab Nawaz, HI (M) (Retired)	Chairman
Lt Gen Javed Alam Khan, HI (M) (Retired)	Chief Executive / MD
Mr. Qaiser Javed	Director
Mr. Riyaz H. Bokhari, IFU	Director
Brig Arif Rasul Qureshi, SI (M) (Retired)	Director
Brig Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director
Brig Liaqat Ali, (Retired)	Director
Brig Munawar Ahmed Rana, SI (M) (Retired)	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

Chief Financial Officer Mr. Omer Ashraf
Tel (051) 2651762

Registered Office and Sales Department: 1st Floor, Aslam Plaza,
60 Adam Jee Road, Sadar, Rawalpindi – Pakistan
Tel: (051) 5523836, 5528042, 5528960, 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 & Co,
Chartered Accountants
Fax No: (051) 2822671

Legal Advisors: Farooq Law Associates, Advocates & Attorneys
Fax No: (051) 2272643

Company Website <http://www.fccl.com.pk>

Share Registrar CORPLINK (PVT) LIMITED
Wings Arcade, 1-K, Commercial, Model Town, Lahore
Ph No: 042-5839182, 5887262
Fax No: 042-5869037



FAUJI CEMENT COMPANY LIMITED

DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report along with the un-audited accounts of the Company with limited scope review by the auditors for the half year ended 31 December 2008.
2. The demand for cement continued during the first half of current fiscal year 2008-09. Total cement despatches during this period reached 14.343 million tons, up by 3%, as compared to 13.935 Million tons over the corresponding first half of the last year. Cement exports registered a growth of 69.82% and domestic demand depicted a decrease of 15.39%. Capacity utilization of the cement industry stood at 69.20% of total installed capacity.
3. As in the past, your Company performed better than the industry average and achieved capacity utilization of 91.16%. FCCL exported 144,017 tons as compared to 127,889 tons in the same period of the last year depicting an increase of 12.61%. Local despatches stood at 387,226 tons as compared to 457,801 tons during the corresponding period of the last year depicting a decrease of 15.42%.
4. Fauji Cement continued to command premium brand. As a result, the net profit of the Company witnessed an increase from 115.270 Million to 514.377 Million owing to higher demand in exports, better margins and higher retention price.
5. Our domestic despatches will remain under pressure as our economy is in a recession phase owing to high inflation, excessive increase in cost of utilities, significant increase in mark up rates and sluggishness in the Government funded projects. However, we are hopeful that the Company will maintain the displayed performance during the next half of the fiscal year as well.
6. Work on New Line of Production is progressing satisfactorily in accordance with the planned activities. Shipment of main plant and machinery from Europe has commenced as per delivery schedule.

Rawalpindi
18 February 2009

Lt Gen Hamid Rab Nawaz, HI (M) (Retd)
Chairman



FAUJI CEMENT COMPANY LIMITED

Independent Auditors' Report on Review of Interim Financial Information to the Members of Fauji Cement Company Limited

Introduction

We have reviewed the accompanying condensed interim balance sheet of Fauji Cement Company Limited ("the Company") as of 31 December 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six-months' period then ended (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review


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

Conclusion

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

The figures for the three months ended 31 December 2008 in the condensed interim profit and loss account have not been reviewed as we are required to review only the cumulative figures for the six months ended 31 December 2008.

ISLAMABAD
18 February 2009


KPMG TASEER HADI & CO
CHARTERED ACCOUNTANTS
MUHAMMAD REHAN CHUGHTAI



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 Un-audited Rupees ('000)	30 June 2008 Audited Rupees ('000)
SHARE CAPITAL AND RESERVES			
Share capital	4	7,419,887	7,419,887
Reserves		<u>2,184,760</u>	<u>1,864,094</u>
		9,604,647	9,283,981
NON - CURRENT LIABILITIES			
Long term financing - secured	5	325,000	325,000
Deferred liability - compensated absences		10,614	9,468
Deferred tax liability - net		552,287	363,154
Retention money payable		69,420	18,129
CURRENT LIABILITIES			
Trade and other payables		818,119	493,210
Markup accrued		72,411	33,186
Short term borrowings - secured	6	1,063,924	1,378,365
Current portion of long term financing		550,000	550,000
		<u>2,504,454</u>	<u>2,454,761</u>
		13,066,422	12,454,493
CONTINGENCIES AND COMMITMENTS			
	7		

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive



FAUJI CEMENT COMPANY LIMITED

		31 December 2008 Un-audited Rupees ('000)	30 June 2008 Audited Rupees ('000)
NON-CURRENT ASSETS			
FIXED ASSETS - Tangible			
Property, plant and equipment	8	9,308,653	7,106,599
LONG TERM ADVANCE		7,200	7,200
LONG TERM DEPOSITS & PREPAYMENTS	9	1,043,588	46,611
CURRENT ASSETS			
Stores, spares and loose tools		849,921	907,591
Stock in trade		337,508	230,089
Trade debts		25,355	26,927
Advances, deposits, prepayments and other receivables		253,053	345,567
Cash and bank balances		1,241,144	3,783,909
		2,706,981	5,294,083
		<u>13,066,422</u>	<u>12,454,493</u>

Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN - AUDITED) FOR THE SIX MONTH ENDED 31 DECEMBER 2008

	Note	Quarter Ended		Six Months Ended	
		31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
		Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
SALES	10	1,619,097	1,031,661	3,245,459	2,200,241
Less: Government levies	10	(368,159)	(264,013)	(725,732)	(589,815)
NET SALES		1,250,938	767,648	2,519,727	1,610,426
Less: Cost of sales	11	(801,430)	(618,341)	(1,674,580)	(1,298,453)
GROSS PROFIT		449,508	149,307	845,147	311,973
Other income		95,333	1,395	158,494	12,399
		544,841	150,702	1,003,641	324,372
Distribution cost		(10,375)	(4,664)	(27,094)	(12,109)
Administrative expenses		(24,083)	(15,891)	(47,754)	(38,005)
Other expenses		(29,953)	(6,363)	(53,847)	(13,730)
PROFIT FROM OPERATIONS		480,430	123,784	874,946	260,528
Finance cost		(92,596)	(33,639)	(164,717)	(77,296)
NET PROFIT BEFORE TAXATION		387,834	90,145	710,229	183,232
Taxation					
- Current		(6,719)	(3,826)	(6,719)	(8,052)
- Deferred		(87,024)	(31,572)	(189,133)	(59,910)
		(93,743)	(35,398)	(195,852)	(67,962)
NET PROFIT AFTER TAXATION		294,091	54,747	514,377	115,270
Earnings per share - Basic (Rupees)		0.424	0.147	0.742	0.308
Earnings per share - Diluted (Rupees)		0.396	0.129	0.693	0.272

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive

Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTH ENDED 31 DECEMBER 2008

	31 December 2008 Rupees ('000)	31 December 2007 Rupees ('000)
Cash flows from operating activities		
Net Profit before taxation	710,229	183,232
Adjustment for:		
Depreciation	154,114	151,829
Provision for staff retirement benefit	8,424	4,845
Workers' (Profit) Participation Fund and Workers' Welfare Fund	52,638	13,580
Finance cost	164,717	77,296
Loss/ (gain) on disposal of property, plant and equipment	1,010	(2,544)
Interest income	(156,756)	(5,392)
	224,147	239,614
Operating cash flows before working capital changes	934,376	422,846
Increase in stores, spares, loose tools and stocks	(49,749)	(40,103)
Increase in long-term deposits	(39,900)	-
Increase in retention money	51,291	-
Decrease/ (increase) in trade debts	1,572	(684)
Increase in advances, deposits, prepayments and other receivables	67,298	(18,097)
Increase/(decrease) in trade and other payables	183,181	(84,341)
	(213,603)	(143,225)
Cash generated from operations	1,147,979	279,621
Compensated absences paid	(3,068)	(1,011)
Payment to Workers' (Profit) Participation Fund	(24,413)	(41,483)
Income tax paid	(51,132)	(6,866)
Net cash from operating activities	1,069,366	230,261
Cash flows from investing activities		
Additions in property, plant and equipment excluding borrowing cost capitalized	(2,304,183)	(825,366)
Proceeds from disposal of property, plant and equipment	423	2,544
Interest received on bank deposits	142,021	9,864
Net cash used in investing activities	(2,161,739)	(812,958)
Cash flows from financing activities		
Repayment of long term financing	(275,000)	(275,000)
Proceeds from long-term financing	275,000	-
Payment of guarantee premium	(944,761)	-
Dividend paid on ordinary shares	(53)	(3,753)
Dividend paid on preference shares	-	(8,361)
Import finances paid	(754,988)	-
Finance costs paid	(141,137)	(101,942)
Net cash used in financing activities	(1,890,939)	(389,056)
Decrease in cash and cash equivalents	(2,983,312)	(971,753)
Cash and cash equivalents at beginning of the period	3,160,532	47,623
Cash and cash equivalents at end of the period	177,220	(924,130)
Cash and cash equivalents comprise of the following:		
Cash and bank balances	1,241,144	118,622
Short term running finances	(1,063,924)	(1,042,752)
	177,220	(924,130)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive

Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTH ENDED 31 DECEMBER 2008

	Share capital		Capital reserve		Revenue reserve	Total
	Ordinary	Preference	Share premium	Hedging reserve	Accumulated (loss)/profit	
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	
Balance as at 30 June 2007	3,707,430	486,992	-	-	(459,216)	3,735,206
Profit for the period	-	-	-	-	115,270	115,270
Total recognized income and expense for the period	-	-	-	-	115,270	115,270
Balance as at 31 December 2007	<u>3,707,430</u>	<u>486,992</u>	<u>-</u>	<u>-</u>	<u>(343,946)</u>	<u>3,850,476</u>
Balance as at 30 June 2008	6,932,895	486,992	1,833,709	84,364	(53,979)	9,283,981
Changes in cash flow hedge	-	-	-	(193,711)	-	(193,711)
Profit for the period	-	-	-	-	514,377	514,377
Total recognized income and expense for the period	-	-	-	(193,711)	514,377	320,666
Balance as at 31 December 2008	<u>6,932,895</u>	<u>486,992</u>	<u>1,833,709</u>	<u>(109,347)</u>	<u>460,398</u>	<u>9,604,647</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive

Director



FAUJI CEMENT COMPANY LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH ENDED 31 DECEMBER 2008

1. Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 and commenced its business with effect from 22 May 1993. The shares of the Company are quoted on 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 26.86% ordinary and 100% preference shares in the Company.

The Company is in the process of setting up a new cement manufacturing line. For this purpose, the Company has entered into agreements with M/s Polysius AG, M/s Loesche Gmb H, M/s ABB Schweiz AG and M/s Haver and Boecker OHG for supply of machinery and related services and M/s Descon Engineering Limited for EPC related work. Refer note 7.2 (b) for commitment in this regard.

2. These interim financial statements are unaudited and are being submitted to the shareholders' in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2008. Comparative balance sheet is extracted from annual audited financial statements for the year ended 30 June 2008 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial statements for the six months period ended 31 December 2007.
3. Accounting policies, related judgments, estimates and assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual financial statements of the Company for the year ended 30 June 2008.

4. SHARE CAPITAL

There is no change in composition of issued, subscribed, and paid up share capital of the Company from 30 June 2008.

	Note	Un-audited 31 December 2008	Audited 30 June 2008
		Rupees (' 000)	Rupees (' 000)
5. LONG TERM FINANCING - secured			
- From banking companies and financial institutions			
Syndicated term finance facility - secured	5.1	875,000	875,000
Less: Amount payable within 12 months shown as current portion		(550,000)	(550,000)
		<u>325,000</u>	<u>325,000</u>
5.1 Movement in this account during the period/year is as follows:			
Opening balance		875,000	1,425,000
Long-term finance obtained from Bank Al-Habib Limited		275,000	-
Repayments during the period/year		(275,000)	(550,000)
Closing balance		<u>875,000</u>	<u>875,000</u>

- 5.2 The Company has entered into various long term borrowing facilities amounting to approximately Rs. 10,759 million (30 June 2008: Rs. 10,759 million) with international and local lenders for new cement manufacturing line.

6. SHORT TERM BORROWINGS- secured

The Company has obtained running finance facilities of Rs. 1,500 million (June 2008: Rs. 1,500 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) retaining 25% margin and carry markup ranging from 1 month's KIBOR plus 1.5 %-2% per annum of the utilized amount and payable on a quarterly basis.



FAUJI CEMENT COMPANY LIMITED

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in contingent liabilities as reported in the annual financial statements for the year ended 30 June 2008 except that Competition Commission of Pakistan (CCP) has issued a show cause notice dated 28 October 2008 to 21 cement manufacturers (including the Company) under section 30 of the Competition Ordinance, 2007. The management is of the opinion that the Company has not violated any requirement of the Ordinance, accordingly no penalty is expected to be imposed on the Company.

7.2 Commitments

There is no change in commitments as reported in the annual financial statements for the year ended 30 June 2008, except for the following:

- a) The Company has opened letters of credit for import of machinery, spares and coal valuing Rs. 6,867 million (30 June 2008: Rs. 7,541 million).
- b) Capital commitments of Rs. 8,781 million (30 June 2008: Rs. 9,269 million) in respect of new cement manufacturing line.

	Note	Un-audited 31 December 2008 Rupees ('000)	Audited 30 June 2008 Rupees ('000)
8. PROPERTY, PLANT AND EQUIPMENT			
Opening carrying amount		7,106,599	4,392,450
Additions during the period / year	8.1	2,357,601	3,016,849
Written down value of disposals	8.2	(1,433)	(44)
Depreciation for the period/ year		(154,114)	(302,656)
Closing carrying amount		<u>9,308,653</u>	<u>7,106,599</u>

Closing carrying amount includes capital work in progress amounting to Rs. 5,251 million (30 June 2008: Rs. 2,950 million).

	Note	Un-audited 31 December 2008 Rupees ('000)	Audited 30 June 2008 Rupees ('000)
8.1 Additions			
Plant, machinery and equipment		9,129	142,619
Building		5,879	17,316
Office equipment		16	1,780
Computers		954	3,109
Electrical equipment		1,318	1,412
Furniture and fixtures		1,662	186
Motor vehicles		14,401	33,330
Capital work in progress		2,324,242	2,817,097
		<u>2,357,601</u>	<u>3,016,849</u>
8.2 Disposals			
Cost		2,187	3,045
Accumulated depreciation		(754)	(3,001)
		<u>1,433</u>	<u>44</u>
9. LONG TERM DEPOSITS & PREPAYMENTS			
Islamabad Electric Supply Company Limited		61,590	21,600
Sui Northern Gas Pipelines Limited		25,011	25,011
Prepaid guarantee and commitment fee for loans	9.1	956,987	-
		<u>1,043,588</u>	<u>46,611</u>

9.1 This mainly includes premium paid to Euler Hermes kreditversicherungs-AG (Hermes) for guarantee issued to lenders as security against loan arrangement dated 7 November 2007 for construction of new cement manufacturing line.



FAUJI CEMENT COMPANY LIMITED

	Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
10. SALES-Net				
Sales				
- Local	1,344,237	833,446	2,573,529	1,848,683
- Export	274,860	198,215	671,930	351,558
	<u>1,619,097</u>	<u>1,031,661</u>	<u>3,245,459</u>	<u>2,200,241</u>
Less:				
- Sales tax	(181,799)	(103,237)	(356,794)	(234,958)
- Excise duties	(185,566)	(160,300)	(367,110)	(353,963)
- Export development surcharge	(794)	(476)	(1,828)	(894)
	<u>(368,159)</u>	<u>(264,013)</u>	<u>(725,732)</u>	<u>(589,815)</u>
	<u>1,250,938</u>	<u>767,648</u>	<u>2,519,727</u>	<u>1,610,426</u>
11. COST OF SALES				
Raw material consumed:				
Opening stock	10,430	6,106	10,696	4,579
Purchases	72,863	55,300	132,585	109,818
Closing stock	(13,853)	(9,094)	(13,853)	(9,094)
	<u>69,440</u>	<u>52,312</u>	<u>129,428</u>	<u>105,303</u>
Packing material consumed	78,873	63,884	161,536	132,016
Stores and spares consumed	3,935	4,068	8,441	6,088
Salaries, wages and benefits	44,661	29,455	93,029	59,385
Rent, rates and taxes	1,623	986	3,483	1,531
Insurance	3,189	3,050	6,415	6,099
Fuel consumed	485,570	256,911	916,562	563,822
Power consumed	135,855	102,758	287,681	195,008
Depreciation	73,736	72,329	147,276	145,619
Repairs and maintenance	16,308	20,223	47,079	45,157
Technical assistance	-	140	6,746	1,132
Printing and stationery	248	208	430	426
Traveling and conveyance	714	427	1,229	1,100
Vehicle running and maintenance expenses	2,621	1,622	4,659	3,493
Communication, establishment and other expenses	958	666	1,873	1,482
	<u>917,731</u>	<u>609,039</u>	<u>1,815,867</u>	<u>1,267,661</u>
Add: Opening work-in-process	143,296	91,853	152,529	115,221
Less: Closing work-in-process	(236,066)	(90,860)	(236,066)	(90,860)
Cost of goods manufactured	<u>824,961</u>	<u>610,032</u>	<u>1,732,330</u>	<u>1,292,022</u>
Add: Opening finished goods	66,247	46,035	46,289	44,157
Less: Closing finished goods	(63,732)	(37,726)	(63,732)	(37,726)
	<u>827,476</u>	<u>618,341</u>	<u>1,714,887</u>	<u>1,298,453</u>
Less: Own consumption capitalized	(26,046)	-	(40,307)	-
	<u>801,430</u>	<u>618,341</u>	<u>1,674,580</u>	<u>1,298,453</u>



FAUJI CEMENT COMPANY LIMITED

12. RELATED PARTY TRANSACTIONS AND BALANCES

Fauji Foundation holds 26.86% ordinary shares and 100% preference shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise directors, key management personnel, entities over which the directors are able to exercise influence and employees' fund. Transaction and balances with related parties are as follows:

	Six Months Ended	
	31 December	31 December
	2008	2007
	Rupees ('000)	Rupees ('000)
Fauji Foundation		
- Sale of cement	7,164	5,477
- Preference dividend paid	-	8,361
- Payment for use of medical facilities	74	2
- Payment for expenses	-	1,951
- Advance paid on account of clearance of shipments	6,000	7,500
- Balance receivable on account of clearance of shipments	1,096	539 *
- Balance payable	50,000	- *
- Balance of advance against sale of cement	632	162 *
- Preference dividend payable	8,361	8,361 *
Payments made into Employees' Provident Fund	4,004	3,070
Payments made to Workers' (Profit) Participation Fund	24,413	41,483
Remuneration including benefits and perquisites to Chief Executive	2,899	2,516
Remuneration including benefits and perquisites to Executives	26,117	17,607
Fee paid to directors for meetings	300	23

* Comparative figures of receivable/ payable balances are as of 30 June 2008

13. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on February 18, 2009.

14. GENERAL

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

Chief Executive

Director