Annual Report 2010

Fauji Cement Company Limited

FAUJI CEMENT

ISO 9001 & ISO 14001 APPROVED

UKAS QUALITY MANAGEMENT

Registration Number 014

UKAS ENVIRONMENTAL MANAGEMENT

Contents

Company Information

- **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 Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director
Brig Liaqat Ali , TI (M) (Retired)	Director
Brig Agha Ali Hassan, SI(M) (Retired)	Director
Brig Parvez Sarwar Khan, SI (M) (Retired)	Director

► **Company Secretary:**	Brig Sajjad Azam Khan, SI (M), T Bt (Retired) House No. 62, Khayaban-e-Iqbal (Margalla Road), F-7/2, Islamabad - Pakistan Tel: (051) 9102451 Fax: (051) 9102454 E-mail: secretary@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, 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:	M/s Orr Dignam & Co, Advocates Fax No: (051) 2260653
► **Company Website**	http://www.fccl.com.pk
► **Registration & Shares Transfer Officer**	M/s CORPLINK (PVT) LIMITED Wings Arcade, 1-K, Commercial, Model Town, Lahore Ph No: 042-5839182, 5887262 Fax No: 042-5869037

Chairman

Lt Gen Hamid Rab Nawaz,
HI (M) (Retired)

Chief Executive & Managing Director

Lt Gen Javed Alam Khan,
HI (M) (Retired)

Board of Directors

Mr. Qaiser Javed

Mr. Riyaz H. Bokhari, IFU

Brig Rahat Khan,
SI (M) (Retired)

Dr. Nadeem Inayat

Brig Liaqat Ali , TI(M)(Retired)

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

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

Brig Sajjad Azam Khan, SI(M),TBt(Retired)
Company Secretary

Key Management

Mir Khawar Saleem
Director (Project) New Line

Mr. Shahid Ghazanfar
GM (Plant) Existing Line

Brig Muhammad Sarwar,SI(M) (Retired)
GM (Marketing & Sale)

Mr. Omer Ashraf
Chief Financial Officer

Mr. Rais Ahmad
GM (Project) New Line

Brig M. Zubair Tahir, SI (M) (Retired)
GM (Procurement, HR & MIS)

Committees of The Board of Directors

Human Resource Committee

Dr. Nadeem Inayat	-	President
Mr. Qaiser Javed	-	Member
Brig Liaqat Ali (Retired)	-	Member
Brig Sajjad Azam Khan (Retired), Company Secretary	-	Secretary

Audit Committee

Mr. Qaiser Javed	-	President
Mr. Riyaz H. Bokhari	-	Member
Brig Rahat Khan (Retired)	-	Member
Dr. Nadeem Inayat	-	Member
Brig Sajjad Azam Khan (Retired), Company Secretary	-	Secretary

Technical Committee

Brig Rahat Khan (Retired)	-	President
Brig Liaqat Ali (Retired)	-	Member
Brig Parvez Sarwar Khan (Retired)	-	Member
Mir Khawar Saleem, Director (Project)	-	Secretary

Vision & Mission Statements

Vision

"To maintain **FCCL** as 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 Operating		2004	2005	2006	2007	2008	2009	2010
Gross Profit Margin	%	32.26	38.01	51.12	31.52	18.56	31.75	13.54
Operating Profit Margin	%	(1.70)	34.75	47.64	28.74	16.96	30.98	9.61
Pre Tax Margin	%	(10.60)	26.68	41.48	22.76	12.82	26.75	8.53
After Tax Margin	%	13.68	17.94	28.08	18.66	11.66	18.96	6.57
Performance								
Return on total assets	%	5.32	8.20	19.42	10.10	3.32	4.70	0.93
Total Assets turnover	Times	0.39	0.46	0.69	0.54	0.28	0.25	0.14
Fixed Assets turnover	Times	0.52	0.63	0.97	0.81	0.50	0.28	0.16*
Return on Paid up Share Capital	%	7.49	12.17	28.70	15.41	5.57	13.58	3.37
Leverage								
Debt Equity Ratio	Times	1.88	1.26	0.60	0.38	0.09	0.40	0.57
Current Ratio	Times	1.54	0.92	1.25	1.35	2.16	0.81**	0.63**
Quick Ratio	Times	1.38	0.88	1.13	1.23	2.06	0.74**	0.60**
Valuation								
Earnings per share (basic)	Rs	0.84	1.36	3.21	1.73 Restated	0.85	1.43 Restated	0.31
Breakup Value per share (basic)	Rs	5.23	6.61	8.85	10.07	13.39	13.97	13.86
Breakup Value per share (diluted)	Rs	4.62	5.84	7.83	8.91	12.51	13.06	12.95
Dividend per share	Rs	Nil	Nil	1.50	-	-	-	-
Dividend payout Ratio	%	N/A	N/A	31%	-	-	-	-
Market Price per share (average)	Rs	14.15	12.76	19.38	20.09	16.06	6.49	6.67
Historical Trends								
Trading Results								
Sales-net	Rs '000	2,296,231	2,845,143	4,286,138	3,463,283	3,545,902	5,314,538	3,808,455
Gross Profit	Rs '000	740,824	1,081,576	2,191,111	1,091,495	658,112	1,687,428	515,584
Operating Profit / (loss)	Rs '000	(39,068)	988,673	2,041,984	995,285	601,518	1,646,233	366,117
Profit / (loss) before tax	Rs '000	(243,291)	759,039	1,777,687	788,180	454,564	1,424,517	324,911
Profit after tax	Rs '000	314,148	510,490	1,203,735	646,323	413,598	1,007,623	250,179
Financial Position								
Shareholders Equity	Rs '000	1,939,134	2,449,624	3,282,617	3,735,206	9,283,981	9,690,689	9,610,685
Property plant & Equipment	Rs '000	4,729,254	4,658,272	4,563,115	4,392,450	7,106,599	18,777,204	23,819,040
Working Capital	Rs '000	202,345	(90,112)	312,183	511,240	2,839,322	(387,648)**	(1,217,421)**
Non current liabilities	Rs '000	3,599,103	2,567,218	1,648,292	1,223,195	715,751	9,131,299	12,784,399

* Includes Capital Work In Progress of Rs. 18,431 Million.
** Excluding fair value of cross currency swap and swap fee payable (non-cash)

Notice of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the Company will be held at 1030 hours 25 October 2010 (Monday) at Hotel Pearl Continental Rawalpindi, to transact the following business:-

1. To confirm the Minutes of 6th Extra-ordinary General Meeting held on 10th December, 2009.
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 2010.
3. To appoint Statutory Auditors of the Company and fix their remuneration.
4. Any other business with the permission by the Chairman.

By order of the Board

Place: Rawalpindi
Date: 04 October 2010

Brig Sajjad Azam Khan (Retd)
Company Secretary

NOTES

(1) The Share Transfer Books of the Company will remain closed from 19 October 2010 to 25 October 2010 (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 CNIC must be attached with the proxy form.

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

(a) For Attending the Meeting

i. In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original 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 CNIC numbers shall be mentioned on the form.

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

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

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen 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: 051-9102451, Fax No: 051-9102454, E-mail: secretary@fccl.com.pk and Web Site: www.fccl.com.pk.

Directors' Report - 2010

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 18th Annual Report together with audited financial statements of the Company for the year ended 30 June 2010 and Auditors' Report thereon.

Market Overview

2. Industry dispatches for the FY 2009-10 have been 34.20 Million MT including 23.54 Million MT domestic and 10.66 Million MT exports. There is a 9.30 % increase in total dispatches of the Industry as compared to the last year, which were 31.28 Million MT including 20.53 Million MT domestic and 10.75 Million MT exports. The increase in the domestic dispatches of the industry is 14.63 % and the decrease in exports is 0.89%.

3. FCCL has dispatched 1,119,577.09 MT for the FY 2009-10 including 786,646.09 MT domestic and 332,931 MT exports. There has been a 11.74 % decrease in domestic despatches and 20.92% increase in the export. Capacity utilization of FCCL in FY 2008-09 was 100.09% and in FY 2009-10 has been 96.06%.

Production Review

4. Performance of the plant remained above satisfactory level with 96.06 % capacity utilization. Comparative production figures are given as under:-

		2009 ~ 10	2008 ~ 09
a.	Clinker (MT)	1,065,788	1,066,625
b.	Cement (MT)	1,128,258	1,183,684

Financial Performance

5. **Profitability.** The Company earned a Profit After Tax of Rs. 250 Million as compared to the last year's profit of Rs. 1,008 Million. The profit from operations decreased from Rs. 1,646 Million to Rs. 366 Million depicting a decrease of 78 % owing to decrease in cement prices.

6. **Contribution to National Exchequer**. The Company contributed a sum of Rs.1,349 Million to the national exchequer in the form of taxes and duties during the year under review. Concurrently, Fauji Cement earned USD 16.5 Million through export of cement.

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

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

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

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

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

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

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

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

Description	2010	2009	2008	2007	2006	2005
Operating Results (Rs. In Million)						
Net Sales	3,808.455	5,314.538	3,545.902	3,463.283	4,286.138	2,845.143
Gross Profit	515.584	1,687.428	658.112	1,091.495	2,191.111	1,081.576
Operating Profit	366.117	1,646.233	601.518	995.285	2,041.984	988.673
Financial Charges	41.206	224.716	146.954	207.105	264.297	229.634
Profit after taxation	250.179	1,007.623	413.598	646.323	1,203.735	510.490
Balance Sheet						
Shareholders Equity	9,610.685	9,690.689	9,283,981	3,735.206	3,282.617	2,449.624
Fixed Assets	23,819.040	18,777.204	7,106.599	4,392.450	4,563.115	4,658.272
Long Term Loans including current portion	12,980.414	6,549.227	875.000	1,425.000	1,975.000	3,075.000
EPS (Rs)						
Basic	0.31	1.43	0.85	1.73	3.21	1.36
		Restated		Restated	Restated	Restated
Diluted	0.30	1.36	0.77	1.53	2.84	1.21
				Restated	Restated	Restated

15. **Dividend.** Due to the heavy investment in construction of its New Line, company has not declared any dividend for its share holders.

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

17. **Value of Investment of Employees.** Value as on 30 June 2010 is given below:-

		Management Staff	**Non-Management Staff**
Provident Fund (in Million)	:	Rs. 76.248	Rs. 42.197

18. **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 Resource Committee.

Attendance of Meetings

19. During the year under review, attendance by each director is given below:-

a. **Board of Directors**

			No of Meetings Attended
(1)	Lt Gen Hamid Rab Nawaz, HI (M), (Retired)	-	6
(2)	Lt Gen Javed Alam Khan, HI (M), (Retired)	-	6
(3)	Mr. Qaiser Javed	-	5
(4)	Mr. Riyaz H. Bokhari, IFU	-	4
(5)	Brig Arif Rasul Qureshi, SI (M) (Retired)	-	3
(6)	Brig Rahat Khan, SI (M) (Retired)	-	6
(7)	Dr. Nadeem Inayat	-	6
(8)	Brig Liaqat Ali, TI (M) (Retired)	-	5
(9)	Brig Munawar Ahmed Rana, SI (M) (Retired)	-	2
(10)	Brig Agha Ali Hassan, SI (M) (Retired)	-	3

b. **Audit Committee**

(1)	Mr. Qaiser Javed	-	5
(2)	Mr. Riyaz H. Bokhari, IFU	-	5
(3)	Brig Rahat Khan, SI (M) (Retired)	-	4
(4)	Dr. Nadeem Inayat	-	3

				No of Meetings Attended
c.	**Human Resource Committee.**		-	NIL
d.	**Technical Committee.**			
	(1)	Brig Rahat Khan (Retired)	-	4
	(2)	Brig Arif Rasul Qureshi (Retired)	-	2
	(3)	Brig Liaqat Ali (Retired)	-	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

20. To the best of our knowledge, the Directors, CEO, CFO, Company Secretary, Company Auditors, their spouses and their minor children have not undertaken any trading in shares of the Company during the FY 2009-10.

Pattern of Share-holding

21. Pattern of share-holding as on 30 June 2010 is attached.

Relations With Company Personnel

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

Corporate Social Responsibilities

23. **Donation to Flood Victims.** The Company has donated relief goods worth 2.2 Million weighing 30 tons and Rupees 16 Million in cash as donation to PM Flood Relief Fund for our brothers and sisters in need.

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.

Change of Directors

25. Following changes have taken place in the Board of the Company:-

a. As a result of resignation, tendered by Brig Munawar Ahmed Rana, SI (M) (Retd), Brig Agha Ali Hassan, SI (M) (Retd) has been appointed as Director of the Company with effect from 20 January 2010.

b. As a result of resignation, tendered by Brig Arif Rasul Qureshi, SI (M) (Retd), Brig Parvez Sarwar Khan (Retd) has been appointed as Director of the Company with effect from 30 June 2010.

26. The Board records its appreciation for the valuable advice and services rendered by the outgoing Directors and welcomes the new Directors on the Board.

Change of Company Secretary

27. On transfer of Brig Shabbir Ahmed (Retd) to New Line, Brig Sajjad Azam Khan, SI (M),T Bt (Retd) has been appointed as Company Secretary with effect from 19 July 2010.

External Auditors

28. The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants will stand retired at the conclusion of the 18th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee.

Product Quality

29. FCCL has always endeavoured to produce the best quality cement in Pakistan, which is amply reflected in the premium price and 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.

Quality & Environmental Management System

30. Fauji Cement Management is strongly committed to sustainable Environmental & Quality Management. Company's measures have been well recognized by the society and independent certification authorities.

Quality Management System

31. Procedures and systems are appropriately placed and implemented, ensuring high quality cement delivery to customers. Laboratory is fully equipped with cement testing apparatus as per National and International Standards. Apparatus for ISO 679 standard is the latest and worth mentioning addition to Fauji Cement QC Labs, which will further open business doors for FCCL in global markets. **ISO 9001:2008** Fauji Cement Company has been certified with the latest Quality Standards, **ISO 9001:2008**. Moody International executed the Audit and issued the certificate, endorsed by UKAS International.

Environmental Management System

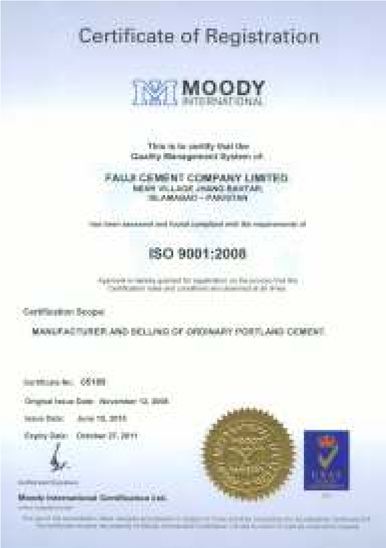
32. Environmental aspect is well considered and taken care in day to day business activities. Steps like 30,000 trees plantation plan, children park development, first ever RDF Plant in Pakistan Cement Industry & energy conservation measures are worth mentioning.

a. **Annual Environmental Excellence Award 2010**. Fauji Cement Company has been awarded the environment excellence award, keeping in view pro active measures taken & further planned to safeguard environment for the next generations.

b. **ISO 14001:2004.** Fauji Cement fully complies with National & International regulations pertaining to environmental aspect and is always conscious about industrial development impact over the environment. Fauji Cement is **14001:2004** certified by Moody International and endorsed by UKAS International.

Annual Environmental Excellence Award 2010

Managing Director FCCL receiving Environment Award 2010 from Federal Minister for Environment (August 2, 2010 Karachi)



(ISO 9001:2008 Certificate)

(ISO 14001:2004 Certificate)

33. **<u>Power Plant 16 MW</u>**

a. Fauji Cement signed contract with WARTSILA Finland for supply of 16.3 MW Power Plant.

b. The Plant started its production on 21st May 2010, after successful commissioning.

c. The Power Plant is dual fired (Gas + Oil) and is operating successfully, since its commissioning.

Wartsila Power Plant

Future Outlook

34. **New Line of Production - 7200 TPD Cement Plant Project.** Fauji Cement planned to construct a new Cement Plant, having a clinker capacity of 7200 tons per day, the highest capacity single production line, ever built in Pakistan. Major Equipment Suppliers are:-

a. POLYSIUS AG Germany

b. LOESCHE GmBH Germany (Vertical Cement Mills)

c. Havor & Boecker Germany (Packing Plant)

d. ABB Switzerland (Electrical Equipment & PLC)

35. Contract for Civil, Mechanical, Electrical and Refractory Works is signed with DESCON Engineering Limited. At present 94% of the Project work has been completed and commercial production is expected by end of year 2010. The Plant comprises of well renowned equipment with latest technology and efficient systems. Special training program has been designed for professionals, ensuring smooth operation of the plant.

Overall Plant Picture.

Raw Material Storage

Pre heater

Raw Mill

Acknowledgement

36. The Directors express their deep appreciation to 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

37. 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
24 September 2010

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

Statement of Compliance with the Code of Corporate Governance For the Year Ended 30 June 2010

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. Casual vacancies occurring in the Board as a result of resignation by directors were filled up by the directors expeditiously as per clause (vi) of Code of Corporate Governance.

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. No orientation course for Directors and officials of the Company was conducted during the period under review.

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 2009-2010 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 Company has complied with approval of transactions with related parties as per Karachi Stock Exchange notice No. KSE/N-269 dated 19 January 2009.

16. 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.

17. 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.

18. 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.

19. 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.

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

Lt Gen Hamid Rab Nawaz, HI (M) (Retired)
Chairman
NIC No 13101-0409535-9

Rawalpindi
24 September 2010

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 (“the Statement”) contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Cement Company Limited, (“the Company”) to comply with the Listing Regulations No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires the Company to place before the Board of Director for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

KPMG Taseer Hadi & Co.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Muhammad Rehan Chughtai

ISLAMABAD
24 September 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the 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 mentioned in note 2.5 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, statement of comprehensive income cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Muhammad Rehan Chughtai

ISLAMABAD
24 September 2010

Balance Sheet as at June 30, 2010

	Note	2010 Rupees'000	2009 Rupees'000
SHARE CAPITAL AND RESERVES			
Share capital	4	**7,419,887**	7,419,887
Reserves	5	**2,190,798**	2,270,802
		9,610,685	9,690,689
Subordinated loan - unsecured	6	**400,000**	-
NON - CURRENT LIABILITIES			
Long term financing - secured	7	**11,909,030**	6,224,227
Fair value of derivative	8	**72,026**	-
Deferred liability - compensated absences	9	**14,707**	10,766
Deferred tax liability - net	10	**788,636**	728,154
Retention money payable		**-**	143,739
Liability against shipment in transit		**-**	2,020,916
CURRENT LIABILITIES			
Trade and other payables	11	**1,698,674**	1,441,825
Markup accrued		**349,130**	95,407
Short term borrowings - secured	12	**865,727**	765,778
Current portion of long term financing	7	**1,071,384**	325,000
		3,984,915	2,628,010
		26,779,999	21,446,501

CONTINGENCIES AND COMMITMENTS 13

The annexed notes 1 to 38 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 24 September 2010.

Chief Executive

	Note	2010 Rupees'000	2009 Rupees'000
NON - CURRENT ASSETS			
Property, plant and equipment	14	**23,819,040**	18,777,204
Long term advance	15	**5,400**	6,300
Long term deposits and prepayments	16	**884,841**	1,008,983
CURRENT ASSETS			
Stores, spares and loose tools	17	**1,060,533**	1,038,078
Stock in trade	18	**96,684**	137,451
Trade debts	19	**24,514**	54,641
Advances	20	**46,981**	37,359
Trade deposits, short term prepayments and balances with statutory authority	21	**601,364**	164,353
Interest accrued		**567**	717
Other recievables	22	**47,858**	45,468
Cash and bank balances	23	**192,217**	175,947
		2,070,718	1,654,014
		26,779,999	21,446,501

Director

Profit and Loss Account
For the Year Ended June 30, 2010

	Note	2010 Rupees'000	2009 Rupees'000
SALES	24	**4,902,396**	6,953,323
Less: Government levies	24	**(1,093,941)**	(1,638,785)
NET SALES		**3,808,455**	5,314,538
Less: Cost of sales	25	**(3,292,871)**	(3,627,110)
GROSS PROFIT		**515,584**	1,687,428
Other income	26	**27,220**	190,424
Distribution cost	27	**(47,737)**	(50,260)
Administrative expenses	28	**(103,490)**	(103,186)
Other operating expenses	29	**(25,460)**	(78,173)
Finance cost	30	**(41,206)**	(224,716)
NET PROFIT BEFORE TAXATION		**324,911**	1,421,517
Taxation	31	**(74,732)**	(413,894)
NET PROFIT AFTER TAXATION		**250,179**	1,007,623
Earnings per share - Basic (Rupees)	32.1	**0.31**	1.43
Earnings per share - Diluted (Rupees)	32.2	**0.30**	1.36

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income
For the Year Ended June 30, 2010

	2010 Rupees'000	2009 Rupees'000
Net profit after taxation	**250,179**	1,007,623
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedge	**35,547**	(564,585)
Reclassified when hedge item effected profit or loss	**(332,288)**	(19,609)
Total comprehensive income	**(46,562)**	423,429

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the Year Ended June 30, 2010

	Note	2010 Rupees'000	2009 Rupees'000
Cash flows from operating activities			
Net profit before taxation		**324,911**	1,421,517
Adjustments for:			
Depreciation		**327,130**	311,749
Provision for compensated absences		**19,435**	12,833
Reversal of provision for bad debt		**(1,567)**	-
Workers' (Profit) Participation Fund including interest and WWF		**25,407**	77,841
Finance cost		**40,284**	224,388
Gain on disposal of property, plant and equipment		**(982)**	(2,479)
Interest income including interest on long term deposit		**(12,544)**	(184,750)
		397,163	439,582
Operating cash flows before working capital changes		**722,074**	1,861,099
Decrease/ (increase) in stores and stocks		**18,312**	(37,849)
Decrease/ (increase) in long-term deposits and prepayments		**124,142**	(66,534)
Decrease in long-term advance		**900**	900
(Decrease)/ increase in retention money		**(143,739)**	125,610
Decrease/ (increase) in trade debts		**31,694**	(27,714)
Increase in advances		**(9,622)**	(17,926)
(Increase)/ decrease in trade deposits, short term prepayments and balance with statutory authority		**(373,013)**	5,996
Increase in advances, deposits, prepayments and other receivables		**(2,390)**	(8,920)
Increase in trade and other payables		**206,935**	300,472
		(146,781)	274,035
Cash generated from operations		**575,293**	2,135,134
Compensated absences paid		**(13,825)**	(11,145)
Payment to Workers' (Profit) Participation Fund		**(75,874)**	(24,741)
Taxes paid		**(106,678)**	(103,520)
Net cash generated from operating activities		**378,916**	1,995,728
Cash flows from investing activities			
Additions in property, plant and equipment excluding borrowing cost capitalized		**(3,006,336)**	(5,096,237)
Proceeds from disposal of property, plant and equipment		**4,324**	4,480
Interest received on bank deposits		**12,694**	198,861
Net cash used in investing activities		**(2,989,318)**	(4,892,896)
Cash flows from financing activities			
Repayment of long term finances		**(325,000)**	(550,000)
Proceeds from long-term loans		**4,244,000**	1,740,000
Dividend paid on ordinary shares		**(7)**	(55)
Dividend paid on preference shares		**(16,721)**	(8,361)
Export refinance		**379,090**	(334,988)
Payment of guarantee premium and other cost		**-**	(990,518)
Finance cost paid		**(1,375,549)**	(289,273)
Net cash generated from/ (used in) financing activities		**2,905,813**	(433,195)
Increase/ (decrease) in cash and cash equivalents		**295,411**	(3,330,363)
Cash and cash equivalents at beginning of the year		**(169,831)**	3,160,532
Cash and cash equivalents at end of the year	**33**	**125,580**	(169,831)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity
For the Year Ended June 30, 2010

	Share capital		Capital reserve		Revenue reserve	
	Ordinary	Preference	Share premium	Hedging reserve	Accumulated profit/(loss)	Total
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Balance as at June 30, 2008	6,932,895	486,992	1,833,709	84,364	(53,979)	9,283,981
Total comprehensive income						
Profit for the year	-	-	-	-	1,007,623	1,007,623
Other comprehensive income	-	-	-	(584,194)	-	(584,194)
Total comprehensive income	-	-	-	(584,194)	1,007,623	423,429
Transaction with owners						
Dividend on preference shares Rs. 0.34 per share	-	-	-	-	(16,721)	(16,721)
Total transaction with owners	-	-	-	-	(16,721)	(16,721)
Balance as at June 30, 2009	6,932,895	486,992	1,833,709	(499,830)	936,923	9,690,689
Total comprehensive income						
Profit for the year	-	-	-	-	250,179	250,179
Other comprehensive income	-	-	-	(296,741)	-	(296,741)
Total comprehensive income	-	-	-	(296,741)	250,179	(46,562)
Transaction with owners						
Dividend on preference shares Rs.0.68 per share	-	-	-	-	(33,442)	(33,442)
Total transaction with owners	-	-	-	-	(33,442)	(33,442)
Balance as at June 30, 2010	6,932,895	486,992	1,833,709	(796,571)	1,153,660	9,610,685

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements
For the Year Ended June 30, 2010

1 LEGAL STATUS AND OPERATIONS

1.1 Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984. The 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.

1.2 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 GmbH, 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.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value.

The fair value of derivative hedging instruments are based on bank's valuations. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each instrument and using market rates for similar instruments at the measurement date.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Provision for inventory obsolescence and doubtful receivables

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

2.4.3 Taxation

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

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

2.4.4 Derivative hedging instrument designated as a cash flow hedge

The Company reviews the changes in fair values of the cross currency swap at each reporting date based on the valuations received from the contracting bank. These valuations represent estimated fluctuations in the relevant variables over the reporting period.

2.4.5 Contingencies

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

2.5 Change in accounting policy

The Company applies revised IAS 1 " Presentation of Financial Statements", which became effective from January 1, 2009. The Company has accordingly presented all changes in owners equity in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earning per share.

2.6 Standards, interpretations and amendments

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2009, and have not been applied in preparing these financial statements. However, these are not relevant to the Company except in few cases these may require additional disclosure.

Improvements to IFRSs 2009	**Effective date**
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
- Amendments to IFRS 8 Operating Segments	1 January 2010
- Amendments to IAS 1 Presentation of Financial Statements	1 January 2010
- Amendments to IAS 7 Statement of Cash Flows	1 January 2010
- Amendments to IAS 17 Leases	1 January 2010
- Amendments to IAS 36 Impairment of Assets	1 January 2010
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards Additional Exemptions for First-time Adopters	1 January 2010
- Amendments to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions	1 January 2010
- Amendment to IAS 32 Financial Instruments: Presentation Classification of Rights Issues	1 January 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
Improvements to IFRSs 2010	
- Amendments to IFRS 3 Business Combinations	1 July 2010
- Amendments to IAS 27 Consolidated and Separate Financial Statements	1 July 2010
- IAS 24 Related Party Disclosures (revised 2009) These amendments will result in increase in disclosures in the Fund's financial statements	1 January 2011
- Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
- Amendments to IFRS 1 First-time Adoption of IFRSs	1 January 2011
- Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2011
- Amendments to IAS 1 Presentation of Financial Statements	1 January 2011
- Amendments to IAS 34 Interim Financial Reporting	1 January 2011
- Amendments to IFRIC 13 Customer Loyalty Programmes	1 January 2011

2.7 Other accounting developments

Disclosures pertaining to fair values for financial instruments

The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 35.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements except as explained in note 2.5, which adresses change in accounting policy.

3.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

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

Deferred

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

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

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

3.2 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost of property, plant and equipment includes acquisition cost, borrowing cost during construction phase of relevant asset and other directly attributable costs. Transfers from capital work in progress are made to the relevant category of property, plant and equipment as and when the assets are available for use.

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

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

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

3.3 Impairment

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. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred upto the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

3.5 Stock in trade

Stock of raw material, except for those in transit, work in process and finished goods are valued principally at the lower of average cost and net realizable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

3.6 Foreign currency transactions

Transactions in foreign currencies are 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.

3.7 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer. Scrap sales and miscellaneous receipts are recognised on realised amounts. Profit on deposits and advances is accounted for on a time proportion basis using the applicable rate of interest.

3.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, 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 3.10.

3.9 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instrument.

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 original invoice amount 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.

3.10 Borrowing cost

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

3.11 Staff retirement benefits

Provident fund

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

Compensated absences

The Company also provides for compensated absences of its employees on unavailed leaves according to the Company's policy.

3.12 Derivative financial instruments and hedging activities

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

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

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised and presented in the hedging reserve in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged items affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when the asset is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

3.13 Cash and cash equivalents

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

3.14 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.15 Earnings per share

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

3.16 Dividend

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

4 SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 Number '000	2009 Number '000		**2010 Rupees '000**	2009 Rupees '000
		Ordinary shares		
171,310	171,310	Ordinary shares of Rs.10 each fully paid in cash	**1,713,105**	1,713,105
199,433	199,433	Ordinary shares of Rs.10 each issued at a discount of Rs. 3.85 per share - paid in cash	**1,994,325**	1,994,325
322,546	322,546	Ordinary shares of Rs. 10 each issued at a premium of Rs. 6 per share-paid in cash	**3,225,465**	3,225,465
693,289	693,289		**6,932,895**	6,932,895
		Preference shares (note 4.1)		
48,699	48,699	Preference shares of Rs. 10 each issued at a discount of Rs. 3.85 per share - paid in cash	**486,992**	486,992
741,988	741,988		**7,419,887**	7,419,887

AUTHORIZED SHARE CAPITAL

This represents 951,300,813 (2009 : 951,300,813) ordinary shares of Rs. 10 each and 48,699,187 (2009 : 48,699,187) preference shares of Rs. 10 each.

4.1 Preference shares have the following characteristics :

(I) Entitling the holder to receive cumulative 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
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.

4.2 Fauji Foundation holds 186,239,020 (2009 : 186,239,020) ordinary shares and 48,699,187 (2009 : 48,699,187) preference shares of the Company at the year end. In addition Fauji Fertilizer Company Limited, Fauji Fertilizer Bin Qasim Limited and Fauji Oil Terminal & Distribution Company Limited hold 93,750,000 (2009 : 93,750,000), 18,750,000 (2009 : 18,750,000) and 18,750,000 (2009: 18,750,000) ordinary shares respectively of the Company at the year end.

5 RESERVES	**Note**	**2010 Rupees'000**	2009 Rupees'000
Capital			
Share premium		**1,833,709**	1,833,709
Hedging reserve	**5.1**	**(796,571)**	(499,830)
Revenue			
Accumulated profit		**1,153,660**	936,923
		2,190,798	2,270,802

5.1 Hedging reserve

		2010	2009
Fair value of cross currency swap		**(444,674)**	(480,221)
Recycling effect when hedge item effected the profit and loss account		**(351,897)**	(19,609)
		(796,571)	**(499,830)**

Hedging reserve (non-cash) primarily represents the effective portion of changes in fair values of designated cash flow hedges.

6 SUBORDINATED LOAN - Unsecured

This represents unsecured sub-ordinated loan provided by Fauji Foundation (FF, the major sponsor). This loan is subordinate to all senior lenders. This loan carries mark-up at 6 month's KIBOR plus 2.3% per annum starting to accrue after 2 years' grace period from the date of first drawdown. The principal is repayable in four equal half yearly installments and the mark-up is repayable on half yearly basis after all the dues relating to senior lenders are repaid in full. This loan is unsecured however as per the terms of agreement, FF has an option to convert all or any part of any amounts due and owing to FF under the agreement into ordinary shares of the Company at the par value of Rs. 10 per share or at below par value as decided by FF.

7 LONG TERM FINANCING-Secured

- Loans from banking companies-under mark up arrangements

Lender	Note	2010 Rupees'000	2009 Rupees'000	Rate of interest per annum	Outstanding installment	Interest payable
Syndicate Finance -1		**-**	325,000	6 month's KIBOR + 0.85%	2 semi annual installments ended March 23, 2010	Semi annual
Syndicate Finance -2	7.1	**3,700,000**	1,740,000	6 month's KIBOR + 2%	11 semi annual installments ending February 16, 2017	Semi annual
The Royal Bank of Scotland N.V.	7.2	**7,499,689**	4,554,693	6 month's LIBOR + 0.8%	14 semi annual installments ending May 7, 2017	Semi annual
National Bank of Pakistan		**1,500,000**	-	6 month's KIBOR + 2.25%	13 semi annual installments ending January 19, 2018	Semi annual
Habib Bank Limited		**384,000**	-	6 month's KIBOR + 2.5%	10 semi annual installments ending July 20, 2016	Semi annual
Less: Unamortized portion of transaction cost		**(103,275)**	(70,466)			
		12,980,414	6,549,227			
Less: Current portion shown under current liabilities		**(1,071,384)**	(325,000)			
		11,909,030	6,224,227			

7.1 This is a syndicated term finance facility obtained from consortium of banks consisting of Allied Bank Limited, United Bank Limited, Bank Alfalah Limited, Pak Libya Investment Company Limited, Bank of Khyber, Bank Al Habib Limited, My Bank Limited and Soneri Bank Limited.

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

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

7.4 Undrawn facilities

Facilities undrawn at the year end were as follows:

	Note	2010 Rupees'000	2009 Rupees'000
Foreign lenders		-	2,625,550
Local lenders		-	1,960,000
		-	4,585,550

8 FAIR VALUE OF DERIVATIVE

	Note	2010 Rupees'000	2009 Rupees'000
Fair value of cross currency swap		444,674	480,221
Less: Current portion shown under current liabilities	11	(372,648)	(480,221)
		72,026	-

The Company has entered into cross currency swap agreements to hedge its foreign currency exposure on foreign currency floating rate borrowing under a finance facility agreement with The Royal Bank of Scotland Limited. Under the swap agreement, the Company will receive applicable LIBOR and USD principal at the date of payment and pay applicable KIBOR +1.5% and the principal in Pak Rupees to hedging party. Because the nominal amounts of the cross currency swaps equal that of the debt, the dates at which the exchange of the principal is required equals that of the debt and the interest payment exchange dates under the cross currency swaps are the same as the interest payment dates under the debt, it is concluded that there is no ineffectiveness in the hedge design. Fair value of derivative represents present value of future cash inflows/ outflows.

9 DEFERRED LIABILITY - compensated absences

	2010 Rupees'000	2009 Rupees'000
Compensated absences		
Balance at beginning of the year	14,842	13,154
Add: Charge for the year	19,435	12,833
	34,277	25,987
Less: Amount paid during the year	(13,825)	(11,145)
	20,452	14,842
Less: Amount transferred to current liabilities	(5,745)	(4,076)
	14,707	10,766

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

		Note	2010 Rupees'000	2009 Rupees'000
10	**DEFERRED TAX LIABILITY - Net**			
	Deductible temporary differences			
	Unused tax losses		**(88,026)**	-
	Taxable temporary difference			
	Excess of accounting book value of fixed assets over their tax base		**876,662**	728,154
			788,636	728,154
11	**TRADE AND OTHER PAYABLES**			
	Creditors	11.1	**315,661**	197,703
	Accrued liabilities		**251,176**	254,185
	Retention money		**136,714**	39,483
	Security deposits		**40,366**	35,681
	Advances from customers		**81,252**	64,503
	Current portion of fair value of cross currency swap	8	**372,648**	480,221
	Swap fee payable		**324,128**	106,127
	Workers' (Profit) Participation Fund	11.2	**17,470**	74,952
	Workers' Welfare Fund		**6,508**	27,923
	Excise duty payable		**50,676**	75,296
	Other liabilities		**60,619**	62,678
	Compensated absences		**5,745**	4,076
	Dividend payable on preference shares		**33,442**	16,721
	Unclaimed dividend		**2,269**	2,276
			1,698,674	1,441,825

11.1 This includes an amount of Rs. 50 million (2009: 50 million) payable to Fauji Foundation, an associated undertaking which represents payments made on the Company's behalf. This is unsecured, interest free and payable on demand.

		2010 Rupees'000	2009 Rupees'000
11.2	**Workers' (Profit) Participation Fund (WPPF)**		
	Balance at beginning of the year	**74,952**	24,413
	Interest on funds utilised in the Company's business	**922**	328
	Allocation for the year	**17,470**	74,952
	Payment to the fund during the year	**(75,874)**	(24,741)
		17,470	74,952
	Allocation for the year is made up as follows:		
	Profit for the year before tax, WPPF and WWF	**349,396**	1,499,030
	Charge for the year at the rate of 5%	**17,470**	74,952

		Note	2010 Rupees'000	2009 Rupees'000
12	**SHORT TERM BORROWINGS - secured**			
	Running finance	12.1	**66,637**	345,778
	Export refinance	12.2	**799,090**	420,000
			865,727	765,778

12.1 The Company has running finance and export refinance limits to the tune of Rs. 1,630 million (2009: Rs. 1,620 million) from banking companies. These facilities are secured against first pari passu/ranking charge by way of hypothecation over the present and future assets of the Company (excluding land and building) retaining 25% margin. Running finance facility carries markup ranging from 1 month's KIBOR plus 1.5% - 2% per annum and export refinance carries markup at 8.5% - 9% per annum of the utilized amount and payable on a quarterly basis.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

a) The Custom Authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery, the Custom Authorities raised a demand of Rs. 828.343 million in respect of items which are considered by the Federal Board of Revenue (FBR) as not qualifying for the concessionary rate of duty. The status of the cases 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 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 total demand of custom duty as being short levied as per letter No. SI/NISC/IB/191/96-VI dated 31 December 1999.

The Company filed an application before FBR under Section 47A of the Sales Tax Act, 1990 and Section 195C of the Customs Act, 1969 for constitution of an Alternate Dispute Resolution Committee (ADRC) on the above cases. The proceedings of ADRC were concluded and final recommendations were forwarded to FBR. FBR has informed the Company that recommendations of ADRC are not acceptable and advised the Company to plead the cases in the above referred court of law. 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). The arbitrators have given their recommendations with the dissenting note by the arbitrator of the supplier. Therefore, the case was referred to the umpire who had also given his recommendations on July 8, 2009. The supplier had to file these recommendations in the court of law for getting court decree within 90 days from the above referred date which time period has lapsed on October 8, 2009. The management believes that since the right of supplier to go to the court has lapsed, the Company has a strong position to challenge the award in case the supplier approaches the court again. No liability has been accounted for as the management is confident that the Company has strong grounds to argue the case.

d) The Company is contesting a claim of damages amounting to Rs. 19.75 million filed by a supplier of plant and machinery arising from encashment by the Company of bank guarantee amounting to Rs. 5.32 million which is appearing under payables in these financial statements. The case is currently in High Court. No provision has been made against any liability as the management is confident that the case will be decided in favour of the Company.

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

f) The Company is contingently liable in respect of guarantees amounting to Rs. 311 million (2009: Rs. 311 million) issued by banks on behalf of the Company in the normal course of business. These guarantees are secured against margin/lien on bank deposits of Rs. 23 million and against first pari passu ranking charge by way of hypothecation over the present and future assets of the Company (excluding land and building) retaining 25% margin.

g) For tax related contingency refer note 31.1.

13.2 Commitments

a) Contracted capital commitments of Rs. 202 million (2009: 9,269 million) 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.

b) The Company has opened letters of credit for the import of machinery, spare parts and coal valuing Rs. 137 million (2009: Rs. 3,616 million). This includes letters of credit aggregating Rs. 96 million (2009: 3,203 million) for imports related to new cement manufacturing line.

14 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 14.1)	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 2008	141,246	1,483,704	5,153,567	8,220	30,381	71,771	8,310	99,030	27,855	2,949,905	9,973,989
Additions during the year	-	1,643	26,516	212	2,263	4,686	3,740	37,186	-	11,908,109	11,984,355
Disposals	-	-	-	-	-	-	-	(7,540)	-	-	(7,540)
Transfers	-	25,405	294,542	-	-	-	-	-	-	(319,947)	-
Balance as at 30 June 2009	141,246	1,510,752	5,474,625	8,432	32,644	76,457	12,050	128,676	27,855	14,538,067	21,950,804
Balance as at 01 July 2009	141,246	1,510,752	5,474,625	8,432	32,644	76,457	12,050	128,676	27,855	14,538,067	21,950,804
Additions during the year	-	-	146,800	827	13,313	5,095	2,759	21,845	-	5,181,669	5,372,308
Disposals	-	-	-	-	(84)	-	-	(6,522)	-	-	(6,606)
Transfers	-	157,067	1,131,458	-	-	-	-	-	-	(1,288,525)	-
Balance as at 30 June 2010	141,246	1,667,819	6,752,883	9,259	45,873	81,552	14,809	143,999	27,855	18,431,211	27,316,506
Depreciation											
Balance as at 01 July 2008	-	636,334	2,063,396	4,872	17,160	64,078	6,668	47,027	27,855	-	2,867,390
Depreciation charge for the year	-	59,346	221,731	725	8,018	2,261	598	19,070	-	-	311,749
On disposals	-	-	-	-	-	-	-	(5,539)	-	-	(5,539)
Balance as at 30 June 2009	-	695,680	2,285,127	5,597	25,178	66,339	7,266	60,558	27,855	-	3,173,600
Balance as at 01 July 2009	-	695,680	2,285,127	5,597	25,178	66,339	7,266	60,558	27,855	-	3,173,600
Depreciation charge for the year	-	60,455	229,722	732	8,132	2,964	1,225	23,900	-	-	327,130
On disposals	-	-	-	-	(20)	-	-	(3,244)	-	-	(3,264)
Balance as at 30 June 2010	-	756,135	2,514,849	6,329	33,290	69,303	8,491	81,214	27,855	-	3,497,466
Carrying amounts - 2009	141,246	815,072	3,189,498	2,835	7,466	10,118	4,784	68,118	-	14,538,067	18,777,204
Carrying amounts - 2010	141,246	911,684	4,238,034	2,930	12,583	12,249	6,318	62,785	-	18,431,211	23,819,040
Rates of depreciation	-	4%	4%	15%	33.33%	10%-15%	15%	25%	10%		

	Note	2010 Rupees'000	2009 Rupees'000
14.1 Capital work in progress			
Breakup of capital work in progress is as follows:			
Existing project:			
Civil works		-	3,566
Advances		-	14,235
		-	17,801
Expansion project:			
Advances	14.1.1	280,689	325,876
Plant and machinery		11,557,119	9,453,092
Civil works		4,187,458	4,228,191
Directly attributable expenditure	14.1.2	2,405,945	513,107
		18,431,211	14,520,266
		18,431,211	14,538,067

14.1.1 Advances

		2010 Rupees'000	2009 Rupees'000
Advances for civil works		70,251	239,630
Advances for plant and machinery		210,438	86,246
		280,689	325,876

14.1.2 Directly attributable expenditure

	Note	2010 Rupees'000	2009 Rupees'000
Salaries, wages and other benefits		75,739	36,984
Borrowing cost	14.1.3	2,236,408	429,419
Professional charges		35,582	21,980
Others		58,216	24,724
		2,405,945	513,107

14.1.3 Borrowing cost has been capitalized at a capitalization rate of 14.46% (2009:15.17 %) per annum.

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

	2010 Rupees'000	2009 Rupees'000
Cost of sales	310,389	297,109
Distribution cost	6,231	5,145
Administrative expenses	10,510	9,495
	327,130	311,749

14.3 Detail of disposals during the year is as follows:

	Original cost Rupees'000	Book value Rupees'000	Sale proceeds Rupees'000	Gain/(loss) Rupees'000	Mode of disposal
Motor vehicle	1,626	1,119	813	(306)	As per Company's policy to employee
Motor vehicle	1,295	998	-	(998)	-do-
Computer	37	24	-	(24)	-do-
Computer	47	40	-	(40)	-do-
Motor vehicle	956	-	951	951	Auction
Motor vehicle	958	-	921	921	-do-
Motor vehicle	1,687	1,161	1,639	478	Insurance claim
2010	**6,606**	**3,342**	**4,324**	**982**	
2009	7,540	2,001	4,480	2,479	

	Note	2010 Rupees'000	2009 Rupees'000
15 LONG TERM ADVANCE - Considered good			
Sui Northern Gas Pipelines Limited	15.1	**6,300**	7,200
Less: Amount receivable within 12 months shown under current assets		**(900)**	(900)
		5,400	6,300

15.1 This represents long term advance for construction of gas pipeline. It is repayable annually in equal installments over 7 years and carries mark-up @ 1.5% per annum.

16 LONG TERM DEPOSITS AND PREPAYMENTS	Note	2010 Rupees'000	2009 Rupees'000
Islamabad Electric Supply Company Limited		**61,592**	61,592
Sui Northern Gas Pipelines Limited		**25,011**	25,011
Prepaid insurance		**15,559**	26,542
Prepaid guarantee fee	16.1	**782,679**	895,838
		884,841	1,008,983

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

17	STORES, SPARES AND LOOSE TOOLS	Note	2010 Rupees'000	2009 Rupees'000
	Stores (Including items in transit of nil (2009: 0.139 million)		**530,196**	473,757
	Spares (Including items in transit of Rs. 13.7 million (2009: Rs. 54.6 million)	17.1	**516,683**	550,667
	Loose tools		**13,654**	13,654
			1,060,533	1,038,078

17.1 This includes spares stated at net realizable value of Rs. 4.89 million (2009 : Rs 4.89 million).

18	STOCK IN TRADE	Note	2010 Rupees'000	2009 Rupees'000
	Raw and packing material		**52,078**	45,714
	Work in process		**11,195**	41,405
	Finished goods		**33,411**	50,332
			96,684	137,451

19	TRADE DEBTS		
	Unsecured		
	Considered good	**24,491**	42,848
	Considered doubtful	**3,281**	4,848
		27,772	47,696
	Secured considered good	**23**	11,793
	Less: Provision for doubtful debts	**(3,281)**	(4,848)
		24,514	54,641

20	ADVANCES	Note	2010	2009
	Advances - Considered good			
	To suppliers		**42,861**	33,964
	To employees		**1,256**	608
	Due from associated undertaking -unsecured	20.1	**1,964**	1,887
	Current portion of long term advance		**900**	900
			46,981	37,359

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

21 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITY

	Note	2010 Rupees'000	2009 Rupees'000
Deposits		**17,325**	16,178
Prepayments		**5,991**	3,184
Advance tax-net		**141,925**	77,927
Sales tax refundable -net		**364,882**	67,064
Special excise duty refundable		**71,241**	-
		601,364	164,353

22 OTHER RECEIVABLES

		2010 Rupees'000	2009 Rupees'000
Margin on letters of credit		**-**	772
Other receivables- Considered good		**28,791**	25,629
Margin on letter of guarantee		**19,067**	19,067
		47,858	45,468

23 CASH AND BANK BALANCES

	Note	2010 Rupees'000	2009 Rupees'000
Cash at banks			
Deposit accounts	23.1 & 23.2	**163,354**	133,100
Current accounts		**28,599**	42,532
		191,953	175,632
Cash in hand		**264**	315
		192,217	175,947

23.1 Balances with banks include Rs. 40.37 million (2009 : Rs. 35.681 million) in respect of security deposits received.

23.2 Deposits of Rs. 4 million (2009 : Rs. 4 million) with banks are under lien for letters of guarantee issued on behalf of the Company.

24 SALES - Net

		2010 Rupees'000	2009 Rupees'000
Sales	- Local	**3,696,878**	5,762,299
	- Export	**1,205,518**	1,191,024
		4,902,396	6,953,323
Less:	Sales tax	**513,223**	801,636
	Excise duty	**577,241**	833,921
	Export development surcharge	**3,477**	3,228
		1,093,941	1,638,785
		3,808,455	5,314,538

25 COST OF SALES

	Note	2010 Rupees'000	2009 Rupees'000
Raw materials consumed		**233,889**	254,441
Packing material consumed		**320,124**	345,148
Stores and spares consumed		**19,405**	17,923
Salaries, wages and benefits (including retirement benefits of Rs. 20.739 million (2009 : Rs.13.308 million)		**224,949**	196,081
Rent, rates and taxes		**4,441**	6,513
Insurance		**15,412**	16,194
Fuel consumed		**1,337,948**	1,773,556
Power consumed		**692,496**	604,701
Depreciation	14.2	**310,389**	297,109
Repairs and maintenance		**92,146**	80,785
Technical assistance		**4,042**	1,509
Vehicle running and maintenance expenses		**13,215**	9,201
Printing and stationery		**1,278**	1,129
Travelling and conveyance		**6,655**	2,989
Communication, establishment and other expenses		**6,631**	4,469
		3,283,020	3,611,748
Add: Opening work-in-process		**41,405**	152,529
Less: Closing work-in-process		**(11,195)**	(41,405)
Cost of goods manufactured		**3,313,230**	3,722,872
Add: Opening finished goods		**50,332**	46,289
Less: Closing finished goods		**(33,411)**	(50,332)
		3,330,151	3,718,829
Less: Own consumption capitalized		**(37,280)**	(91,719)
		3,292,871	3,627,110

26 OTHER INCOME

	2010 Rupees'000	2009 Rupees'000
Income from financial assets		
Profit on bank deposits	**12,439**	184,667
Interest on long term advance	**105**	83
	12,544	184,750
Income from assets other than financial assets		
Gain on disposal of property, plant and equipment	**982**	2,479
Others	**13,694**	3,195
	27,220	190,424

			2010	2009
27	**DISTRIBUTION COST**	**Note**	**Rupees'000**	Rupees'000
	Salaries, wages and benefits (including retirement benefits of Rs. 2.895 million (2009 : Rs. 2.035 million)		**26,868**	25,184
	Export freight and other charges		**1,101**	8,758
	Travelling and entertainment		**2,351**	703
	Vehicle running and maintenance expenses		**2,042**	1,864
	Rent, rates and taxes		**3,013**	1,630
	Repairs and maintenance		**318**	215
	Printing and stationery		**979**	752
	Depreciation	14.2	**6,231**	5,145
	Communication, establishment and other expenses		**2,841**	3,200
	Advertisement and sale promotion expenses		**3,048**	2,430
	Reversal of provision for doubtful debts		**(1,567)**	-
	Insurance		**512**	379
			47,737	50,260

28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits (including retirement benefits Rs. 4.993 million (2009: Rs. 5.082 million)		**58,358**	61,591
	Travelling and entertainment		**4,962**	3,236
	Vehicle running and maintenance expenses		**5,435**	3,761
	Insurance		**636**	738
	Rent, rates and taxes		**7,429**	6,837
	Repairs and maintenance		**594**	587
	Printing and stationery		**2,886**	2,973
	Communication, establishment and other expenses		**6,797**	5,591
	Legal and professional charges		**4,003**	3,171
	Depreciation	14.2	**10,510**	9,495
	Donations	28.1	**1,880**	5,206
			103,490	103,186

28.1 This includes Rs. 0.5 million (2009: 0.5 million) donated to Foundation University and Rs.1 million (2009: 4.14 million) donated for Internally Displaced Persons (IDPs) through Fauji Foundation.

		Note	2010	2009
29	**OTHER OPERATING EXPENSES**		**Rupees'000**	Rupees'000
	Auditors' remuneration:			
	Annual audit		**750**	430
	Half yearly review		**125**	125
	Out of pocket expenses		**20**	25
	Other certifications		**80**	80
			975	660
	Workers' (Profit) Participation Fund	11.2	**17,470**	74,952
	Workers' Welfare Fund		**7,015**	2,561
			25,460	78,173
30	**FINANCE COST**			
	Fee and charges on loans		**500**	500
	Interest/mark-up on long term finance		**13,389**	82,672
	Interest on short term borrowings and other charges		**20,182**	135,563
	Interest on Workers' Profit Participation Fund		**922**	328
	Guarantee commission		**805**	673
	Bank charges and commission		**5,408**	4,980
	Exchange loss on revaluation of foreign currency loan		**332,288**	19,609
	Reclassification adjustment from equity on revaluation of loan		**(332,288)**	(19,609)
			-	-
			41,206	224,716
31	**TAXATION**			
	Current (including prior)		**14,250**	48,894
	Deferred		**60,482**	365,000
			74,732	413,894
	Accounting profit for the year		**324,911**	1,421,517
	Applicable tax rate (%)		**35%**	35%
	Income tax at applicable rate		**113,719**	497,531
	Tax effect of change in proportion of export sales to local sales on temporary differences		**(36,492)**	-
	Minimum tax		**25,052**	-
	Tax effect of income taxable under final tax regime		**(18,120)**	(83,820)
	Tax effect on permanent differences		**(9,427)**	337
	Tax credits		**-**	(154)
			74,732	413,894

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

Tax returns filed by the Company for Tax Years 2004 to 2009 (years ended 30 June 2004 to 2009) stand assessed in terms of section 120 of the Ordinance. However, tax authorities are empowered to reopen the assessment at any time within 5 years from the end of the financial year in which the return was assessed.

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

32 EARNINGS PER SHARE

		2010	2009
32.1	**Basic**		
	Profit attributable to ordinary shareholders (adjusted) (Rupees '000)	**216,737**	990,902
	Weighted average number of ordinary shares outstanding during the year Rupees '000)	**693,289**	693,289
	Earnings per share (EPS) -basic (Rupees)	**0.31**	1.43
32.2	**Diluted**		
	Profit after taxation (Rupees '000)	**216,737**	1,007,623
	Weighted average number of ordinary shares, convertible preference shares and incremental shares on assumed conversion under subordinated loan outstanding during the year (Numbers'000)	**729,919**	741,988
	Earnings per share -diluted (Rupees)	**0.30**	1.36
	Reconciliation of weighted average number of shares		
	Weighted average number of ordinary shares outstanding during the year (Numbers '000)	**693,289**	693,289
	Weighted average number of convertible preference shares (Not included in EPS calculation for the year 2010 due to anti-dilutive effect (Numbers '000)	**-**	48,699
	Weighted average number of incremental shares on assumed conversion under subordinated loan computed using closing market price of share (Numbers '000)	**36,630**	-
		729,919	**741,988**

33 CASH AND CASH EQUIVALENTS

	2010 Rupees'000	2009 Rupees'000
Cash and bank balances	**192,217**	175,947
Running finances	**(66,637)**	(345,778)
	125,580	(169,831)

34 REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Managing Director		Executives	
	2010 Rupees'000	2009 Rupees'000	**2010 Rupees'000**	2009 Rupees'000
Managerial remuneration	**3,932**	3,448	**61,149**	34,283
Provident fund	**223**	206	**2,853**	1,403
Compensated absences	**873**	372	**2,257**	1,853
Utilities and upkeep	**1,246**	1,012	**2,654**	1,426
	6,274	5,038	**68,913**	38,965
No of persons	**1**	2	**39**	25

34.1 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.

34.2 Meeting fee of directors charged during the year was Rs. 0.360 million (2009 : Rs. 0.460 million), number of directors: 8 (2009 : 8).

35 Financial instruments

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

Credit risk
Liquidity risk
Market risk

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

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

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

35.1 Credit risk

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

	2010 Rupees '000	2009 Rupees '000
Long term advance	**6,300**	7,200
Long term deposit	**86,603**	86,603
Trade debts - net of provision	**24,514**	54,641
Deposits	**17,325**	16,178
Interest accrued	**567**	717
Other receivables	**28,791**	25,629
Margin on letters of guarantee	**19,067**	19,067
Bank balances	**191,953**	175,947
	375,120	385,982

Geographically there is no concentration of credit risk.

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

The Company's most significant customer is an end user from whom Rs.10.63 million (2009: Rs. 22.3 million) was outstanding and which is included in total carrying amount of trade debtors as at 30 June 2010.

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

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	Rupees '000		Rupees '000	
Not past due	**24**	**-**	3,067	-
Past due 1-30 days	**19,585**	**-**	49,233	-
Past due 31-60 days	**1,941**	**-**	520	-
Past due 61-90 days	**407**	**-**	1,821	-
Over 90 days	**5,838**	**3,281**	4,848	4,848
	27,795	**3,281**	59,489	4,848

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

	2010 Rupees '000	2009 Rupees '000
Balance at 1 July	**4,848**	4,848
Impairment loss reversed	**(1,567)**	-
Balance at 30 June	**3,281**	4,848

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

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

35.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2010	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rupees '000			
Non Derivative Financial Liabilities							
Long term loans	13,083,689	(16,811,466)	(993,824)	(991,347)	(2,426,214)	(7,796,839)	(4,603,242)
Retention money	-	-	-	-	-	-	-
Trade and other payables	914,901	(914,901)	(914,901)	-	-	-	-
Interest and mark-up accrued	349,130	(349,130)	(349,130)	-	-	-	-
Short term borrowings	865,727	(901,730)	(901,730)	-	-	-	-
Derivative Financial Liability							
Cross currency swaps used for hedging	768,802	(566,469)	(395,910)	(345,057)	(529,217)	(197,821)	901,536
	15,982,249	(19,543,696)	(3,555,495)	(1,336,404)	(2,955,431)	(7,994,660)	(3,701,706)

The maturity analysis of cross currency swap reflects the cash flow associated with derivatives which are cash flow hedges that are expected to occur and impact profit and loss account.

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rupees '000			
Non Derivative Financial Liabilities							
Long term loans	6,549,227	(8,371,908)	(408,024)	(213,109)	(976,613)	(3,545,885)	(3,228,277.00)
Retention money	143,739	(143,739)	-	-	(143,739)		-
Trade and other payables	786,898	(786,898)	(786,898)	-	-		-
Interest and mark-up accrued	95,407	(95,407)	(95,407)	-	-		-
Short term borrowings	765,778	(863,491)	(863,491)	-	-		-
Derivative Financial Liability							
Cross currency swaps used for hedging	586,348	(257,069)	(304,101)	(289,952)	(396,920)	(260,937)	994,841
	8,927,397	(10,518,512)	(2,457,921)	(503,061)	(1,517,272)	(3,806,822)	(2,233,436)

35.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in note 7 and 12 to these financial statements.

35.3 Market risk

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

35.3.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on long term loan which is denominated in currency other than the functional currency of the Company. However the Company has hedged its foreign currency exposure by entering into cross currency swap. The Company's exposure to foreign currency risk is as follows:

	2010		2009	
	Rupees '000	**US Dollar '000**	Rupees '000	US Dollar '000
Long term loan	**7,499,689**	**87,767**	4,554,693	56,023

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2010	2009	**2010**	2009
US Dollars	**84**	80	**85.45**	81.3

Sensitivity

The Company has hedged its foreign currency exposure by entering into cross currency swap and any changes in exchange rate will have no effect on profit and loss account or equity.

35.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2010 Rupees '000	2009 Rupees '000
Fixed rate instruments		
Financial assets	**169,654**	140,300
Variable rate instruments		
Financial liabilities	**13,150,326**	7,385,471

Fair value sensitivity analysis for variable rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points and 10 per cent in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss		**Equity**	
Effect in Rupees thousands	**100 basis points**	**100 basis points decrease**	**10 percent increase**	**10 percent decrease**
		Rupees '000		
Cash flow sensitivity (net)				
Variable rate instruments	(23,630)	23,630	-	-
Cross currency swap	-	-	(223,692)	223,692
30 June 2010	(23,630)	23,630	(223,692)	223,692
Variable rate instruments	(931)	931	-	-
Cross currency swap	-		(160,519)	160,519
30 June 2009	(931)	931	(160,519)	160,519

35.4 Fair value of financial assets and liabilities

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

	Note	**2010** Carrying amount	**2010** Fair value	2009 Carrying amount	2009 Fair value
Assets carried at amortized cost		**Rupees '000**		Rupees '000	
Long term advance	15	**6,300**	**6,300**	7,200	7,200
Long term deposit	16	**86,603**	**86,603**	86,603	86,603
Trade debts - net of provision	19	**24,514**	**24,514**	54,641	54,641
Deposits	21	**17,325**	**17,325**	16,178	16,178
Interest accrued		**567**	**567**	717	717
Other receivables	22	**28,791**	**28,791**	25,629	25,629
Margin on letters of guarantee	22	**19,067**	**19,067**	19,067	19,067
Bank balances	23	**191,953**	**191,953**	175,947	175,947
		375,120	**375,120**	385,982	385,982
Liabilities carried at amortized cost					
Subordinated loan - unsecured	6	**400,000**	**400,000**	-	-
Long term financing - secured	7	**13,083,689**	**13,083,689**	6,619,693	6,619,693
Creditors	11	**315,661**	**315,661**	197,703	197,703
Accrued liabilities	11	**251,176**	**251,176**	254,185	254,185
Retention money	11	**136,714**	**136,714**	39,483	39,483
Security deposits	11	**40,366**	**40,366**	35,681	35,681
Workers' (Profit) Participation Fund	11	**17,470**	**17,470**	74,952	74,952
Workers' Welfare Fund	11	**6,508**	**6,508**	27,923	27,923
Excise duty payable	11	**50,676**	**50,676**	75,296	75,296
Other liabilities	11	**60,619**	**60,619**	62,678	62,678
Dividend payable on preference shares	11	**33,442**	**33,442**	16,721	16,721
Unclaimed dividend	11	**2,269**	**2,269**	2,276	2,276
Short term borrowings - secured	12	**865,727**	**865,727**	765,778	765,778
		15,264,317	**15,264,317**	8,172,369	8,172,369
Liabilities carried at fair value					
Cross currency swap	11& 8	**444,674**	**444,674**	480,221	480,221

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
		Rupees '000	
2010			
Liabilities carried at fair value			
Cross currency swap	-	-	**444,674**
2009			
Liabilities carried at fair value			
Cross currency swap	-	-	480,221

35.5 Determination of fair values

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

Non - derivative financial assets

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

Non - derivative financial liabilities

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

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Derivative financial liabilities

The fair value of derivative hedging instruments are based on bank's valuations. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract. Interest rates used to discount estimated future cash flows are based on the respective currency's yield curve. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate. Following are the interest rates which have been used to perform the fair value calculation of derivative financial instruments as at 30 June 2010.

KIBOR	12.37% - 12.58% per annum
LIBOR	0.75% - 2.94% per annum

35.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratios under the financing agreements.

36 RELATED PARTY TRANSACTIONS

Fauji Foundation holds 26.86% ordinary shares and 100% preference shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Amount due from the related party is shown under receivables and the remuneration of key management personnel representing the Chief Executive and directors is disclosed in note 34 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:

	2010	2009
	Rupees'000	Rupees'000
Transactions with associated undertakings/companies due to common directorship		
- Sale of cement	**8,084**	13,308
- Payment for use of medical facilities	**42**	84
- Payment on account of clearance of shipments	**20,700**	30,600
- Preference dividend paid	**16,721**	8,361
- Payment made by Fauji Foundation on the Company's behalf	**-**	50,000
- Loan received from Fauji Foundation	**400,000**	-
Employees Funds		
- Payments made into the fund	**11,674**	8,243

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	Metric Tons	Metric Tons
Current installed capacity (Based on 300 running days)	**1,165,500**	1,165,500
Actual production	**1,128,258**	1,183,684

Difference is due to normal wear and tear of plant.

38 GENERAL

38.1 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs. 354 million and Rs. 1,300 million (2009: Rs. 354.50 million and Rs. 4,142 million) respectively are available to the Company. Letter of guarantees are secured by way of hypothecation charge on present and future assets of the Company (excluding land and building) and lien on bank deposits/ margin.

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

Chief Executive

Director

Pattern of Share-holding
as on 30 June 2010

No. of Shareholders	From	To	Total Shares Held
173	1	100	6762
1137	101	500	545043
1844	501	1000	1823202
3300	1001	5000	9965294
1193	5001	10000	9998809
406	10001	15000	5350902
319	15001	20000	6019363
219	20001	25000	5271816
128	25001	30000	3685483
70	30001	35000	2332902
63	35001	40000	2438085
30	40001	45000	1299371
97	45001	50000	4789505
35	50001	55000	1861489
38	55001	60000	2220020
30	60001	65000	1890347
22	65001	70000	1517853
20	70001	75000	1463710
22	75001	80000	1723495
14	80001	85000	1171720
12	85001	90000	1065000
6	90001	95000	552956
71	95001	100000	7087500
17	100001	105000	1756542
9	105001	110000	974495
8	110001	115000	908800
5	115001	120000	590238
15	120001	125000	1854409
7	125001	130000	902345
6	130001	135000	801164
1	135001	140000	140000
6	140001	145000	856753
19	145001	150000	2840705
4	150001	155000	615990
3	155001	160000	476923
1	160001	165000	165000
2	165001	170000	336000
4	170001	175000	692500
3	175001	180000	535157
1	180001	185000	181390

1	185001	190000	187000
3	190001	195000	572061
15	195001	200000	2998000
2	200001	205000	407500
4	205001	210000	832868
6	210001	215000	1278907
6	215001	220000	1307755
3	220001	225000	671410
1	225001	230000	226500
2	235001	240000	477500
1	240001	245000	243100
6	245001	250000	1495850
3	250001	255000	761175
2	255001	260000	515392
3	260001	265000	793153
1	265001	270000	270000
1	270001	275000	272500
2	275001	280000	556020
3	280001	285000	852450
1	290001	295000	292300
5	295001	300000	1500000
2	300001	305000	610000
1	305001	310000	308841
3	310001	315000	940790
1	320001	325000	321000
1	335001	340000	335001
3	345001	350000	1047800
2	355001	360000	714628
1	360001	365000	361515
1	370001	375000	373000
1	385001	390000	386440
5	395001	400000	1996950
1	460001	465000	464000
1	465001	470000	469450
1	470001	475000	471000
1	475001	480000	476400
2	480001	485000	964500
7	495001	500000	3500000
1	520001	525000	523600
1	540001	545000	541840
2	595001	600000	1196359
1	610001	615000	612700
2	625001	630000	1258664
1	630001	635000	633311
1	635001	640000	640000
1	650001	655000	652250
1	670001	675000	672000

1	695001	700000	700000
2	705001	710000	1414198
1	745001	750000	750000
1	775001	780000	778994
1	795001	800000	800000
1	850001	855000	854138
3	895001	900000	2700000
1	910001	915000	910865
1	995001	1000000	999465
1	1050001	1055000	1054500
1	1110001	1115000	1111500
2	1115001	1120000	2238650
1	1160001	1165000	1165000
1	1165001	1170000	1170000
1	1195001	1200000	1200000
1	1235001	1240000	1239500
1	1280001	1285000	1280950
1	1375001	1380000	1377000
1	1445001	1450000	1450000
1	1475001	1480000	1479580
1	1760001	1765000	1760562
1	1960001	1965000	1963000
1	1995001	2000000	2000000
1	2645001	2650000	2650000
1	2995001	3000000	3000000
1	3490001	3495000	3491458
1	3720001	3725000	3722113
1	5285001	5290000	5289700
1	5430001	5435000	5432804
1	6855001	6860000	6858955
1	7060001	7065000	7060348
1	7225001	7230000	7227639
1	12670001	12675000	12675000
2	18745001	18750000	37500000
1	48695001	48700000	48699187
1	56305001	56310000	56309000
1	93745001	93750000	93750000
1	104990001	104995000	104993042
1	186235001	186240000	187239020
9520			**741988686**

Categories of Shareholders as on 30 June 2010	Shares held	Percentage
Directors		
Lt Gen Hamid Rab Nawaz, HI (M) (Retd)	1	
Lt Gen Javed Alam Khan, HI (M) (Retd)	1	
Mr. Qaiser Javed	1	
Brig Rahat Khan (Retd)	1	
Dr. Nadeem Inayat	1	
Brig Liaqat Ali (Retd)	1	
Brig Parvez Sarwar Khan, SI (M) (Retd)	1	
Spouses and minor children of Directors/CEO	NIL	
Executive	NIL	
Associated companies, undertaking and related parties:-		
Fauji Foundation	235,938,207	31.7981
Fauji Fertilizer Company Limited (FFC)	93,750,000	12.6350
Fauji Fertilizer Bin Qasim Limited (FFBL)	18,750,000	2.5270
Fauji Oil Terminal & Distribution Company Ltd (FOTCO)	18,750,000	2.5270
Total:	367,188,207	49.4871
Banks, Development Finance Institution, Non Banking Finance Institutions	126,872,566	17.0990
Insurance Companies	1,038,672	0.1400
Mudarabas and Mutual Funds	3,251,771	0.4382
General Public		
Local	145,344,559	19.5885
Others (Local)		
Investment Companies	18,500	0.0025
Joint Stock Companies	90,186,156	12.1546
Foreign		
Industrialization Fund for Developing Countries (IFU)	5,289,700	0.7129
Others	2,798,548	0.3772
Total Shares held	**741,988,686**	**100.0000**

Share holders holding 10% and above

Fauji Foundation	235,938,207	31.7981
Fauji Fertilizer Company Limited	93,750,000	12.6350
United Bank Limited	104,993,042	14.1502
Total	434,681,249	58.5833

Form of Proxy - 18th 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 **18th Annual General Meeting** of the Company to be held on Monday, **25 October 2010** and at any adjournment thereof.

As witness my/our hand/seal this ____________________ day of_________________2010.

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