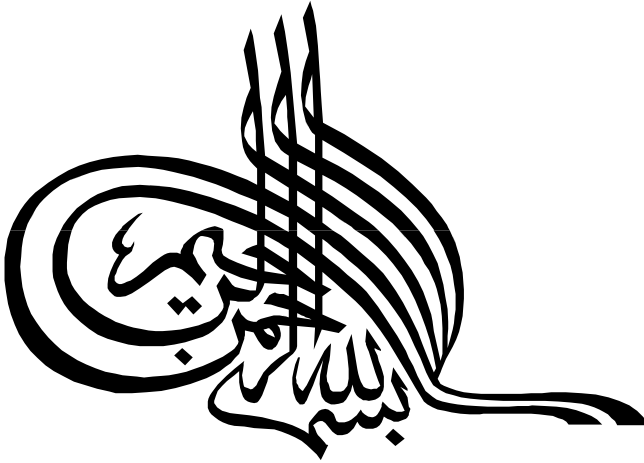




# FAUJI CEMENT COMPANY LIMITED



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# FAUJI CEMENT COMPANY LIMITED

## COMPANY INFORMATION

at a glance

### ▶ Board of Directors

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

### ▶ Company Secretary:

Brig Shabbir Ahmed (Retired)  
House No. 62, Khayaban-e-Iqbal  
(Margalla Road), F-7/2, Islamabad - Pakistan  
Tel: (051) 9221690  
Fax: (051) 9221693  
E-mail: secretary@fccl.com.pk  
Web Site: <http://www.fccl.com.pk>

### ▶ Chief Financial Officer

Mr. Omer Ashraf  
Tel (051) 2651762

### ▶ Registered Office and Marketing and Sales Department:

Ist Floor, Aslam Plaza,  
60 Adam Jee Road, Sadar, Rawalpindi – Pakistan  
Tel: (051) 5523836, 5528042, 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

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

### ▶ Shares Registrar

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



# FAUJI CEMENT COMPANY LIMITED

## DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report along with the accounts of the Company with limited scope review by the auditors for the half year ended 31 December 2007.

2. During first half of current fiscal year 2008, the Cement Industry witnessed an accelerated demand for its product. Total cement despatches during this period reached 13.94 million tons as compared to 11.18 Million tons over the corresponding period of last year showing growth of 24.62%. Cement exports registered a growth of 149% and domestic demand increased by 9.63%. Capacity utilization of the cement industry stood at 77.22% of total installed capacity of industry.

3. As in the past, your Company performed better than the Industry average and achieved capacity utilization of 100.50% as compared to 97.80% in the corresponding period of the last year with the total despatches of 585,690 tons of cement. Whereas export stood at 127,889 tons as compared to 68,736 tons during the corresponding period of last year depicting an increase of 86.06%, its local despatches recorded a figure of 457,801 tons as compared to 501,156 tons during the same period of the last year.

4. Fauji Cement continued to command a premium for its brand. However, owing to fall in prices of cement and increase in input costs mainly of coal, power and packing material, the net profit of the Company witnessed a decrease from 366.01 Million in first half of the last fiscal year to 115.27 Million in the first half of current fiscal year.

5. The present phase of depressed prices and profits is likely to continue for sometime. The Board is confident, however, that the market conditions will turn favourable soon and coupled with FCCL's initiatives towards controlling and reducing cost of sales, the Company will be in a position to show improved profitability.

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



# FAUJI CEMENT COMPANY LIMITED

## REVIEW REPORT TO THE MEMBERS

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

#### *Introduction*

We have reviewed the accompanying condensed interim balance sheet of Fauji Cement Company Limited ("the Company") as of 31 December 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six-months' period then ended (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarter ended 31 December 2007 in the condensed interim profit and loss account have not been reviewed as we are required to review only the cumulative figures for the six months' period ended 31 December 2007.

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months' period ended 31 December 2007, is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi &amp; Co.', written over a horizontal line.

ISLAMABAD  
25 February 2008

KPMG TASEER HADI & CO.  
CHARTERED ACCOUNTANTS




# FAUJI CEMENT COMPANY LIMITED

## CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	31 December 2007 Un-audited Rupees ('000)	30 June 2007 Audited Rupees ('000)
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital	4	4,194,422	4,194,422
Accumulated loss		(343,946)	(459,216)
		<u>3,850,476</u>	<u>3,735,206</u>
<b>LONG TERM FINANCING- secured</b>	5	600,000	875,000
<b>DEFERRED LIABILITIES</b>			
Staff retirement benefit		9,200	8,277
Deferred tax liability - net		399,828	339,918
<b>CURRENT LIABILITIES</b>			
Trade and other payables		346,999	468,447
Markup accrued		47,956	48,330
Short term running finances - secured	6	1,042,752	375,510
Current portion of long term financing	5	550,000	550,000
		<u>1,987,707</u>	<u>1,442,287</u>
		<u><u>6,847,211</u></u>	<u><u>6,400,688</u></u>

CONTINGENCIES AND COMMITMENTS 7

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

  
Chief Executive



# FAUJI CEMENT COMPANY LIMITED

		31 December 2007 Un-audited Rupees ('000)	30 June 2007 Audited Rupees ('000)
<b>FIXED ASSETS - Tangible</b>			
Property, plant and equipment	8	5,893,239	4,392,450
<b>LONG TERM ADVANCE- considered good</b>		8,100	8,100
<b>LONG TERM DEPOSITS</b>		46,611	46,611
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		518,845	468,769
Stock in trade		173,336	183,309
Trade debts		20,242	19,558
Advances, deposits, prepayments and other receivables		68,216	858,758
Cash and bank balances		118,622	423,133
		899,261	1,953,527
		<u>6,847,211</u>	<u>6,400,688</u>

  
Director



# FAUJI CEMENT COMPANY LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	Note	Quarter Ended		Six Months Ended	
		31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
		Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
<b>SALES</b>	9	1,031,661	1,042,043	2,200,241	2,515,262
Less: Government levies	9	(264,013)	(306,040)	(589,815)	(681,363)
<b>NET SALES</b>		<b>767,648</b>	<b>736,003</b>	<b>1,610,426</b>	<b>1,833,899</b>
Less: Cost of sales	10	(618,341)	(523,033)	(1,298,453)	(1,130,839)
<b>GROSS PROFIT</b>		<b>149,307</b>	<b>212,970</b>	<b>311,973</b>	<b>703,060</b>
Other operating income		1,395	17,278	12,399	39,454
		<b>150,702</b>	<b>230,248</b>	<b>324,372</b>	<b>742,514</b>
Distribution cost		(4,664)	(7,180)	(12,109)	(16,920)
Administrative expenses		(15,891)	(14,536)	(38,005)	(32,634)
Other operating expenses		(6,363)	(10,899)	(13,730)	(40,382)
<b>PROFIT FROM OPERATIONS</b>		<b>123,784</b>	<b>197,633</b>	<b>260,528</b>	<b>652,578</b>
Finance cost		(33,639)	(53,849)	(77,296)	(110,985)
<b>NET PROFIT BEFORE TAXATION</b>		<b>90,145</b>	<b>143,784</b>	<b>183,232</b>	<b>541,593</b>
Taxation					
- Current		(3,826)	(3,700)	(8,052)	(9,200)
- Deferred		(31,572)	(42,963)	(59,910)	(166,297)
		<b>(35,398)</b>	<b>(46,663)</b>	<b>(67,962)</b>	<b>(175,497)</b>
<b>NET PROFIT AFTER TAXATION</b>		<b>54,747</b>	<b>97,121</b>	<b>115,270</b>	<b>366,096</b>
Earnings per share - Basic (Rupees)		<b>0.148</b>	0.262	<b>0.311</b>	0.987
Earnings per share - Diluted (Rupees)		<b>0.131</b>	0.232	<b>0.275</b>	0.873

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Chief Executive

Director




# FAUJI CEMENT COMPANY LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2007

	31 December 2007 Rupees ('000)	31 December 2006 Rupees ('000)
<b>Cash flows from operating activities</b>		
Net Profit before taxation	183,232	541,593
<b>Adjustment for:</b>		
Depreciation	151,829	136,982
Provision for staff retirement benefit	4,845	7,158
Workers' Profit Participation Fund and Workers' Welfare Fund	13,580	40,140
Finance cost	77,296	110,986
Gain on disposal of property, plant and equipment	(2,544)	-
Interest income	(5,392)	(37,012)
	<b>239,614</b>	<b>258,254</b>
Operating cash flows before working capital changes	<b>422,846</b>	<b>799,847</b>
Increase in stores, spares, loose tools and stocks	(40,103)	(86,370)
Increase in trade debts	(684)	(9,449)
Increase in advances, deposits, prepayments and other receivables	(18,097)	(40,093)
(Decrease)/increase in trade and other payables	(84,341)	18,969
	<b>(143,225)</b>	<b>(116,943)</b>
Cash generated from operations	<b>279,621</b>	<b>682,904</b>
Staff retirement benefits paid	(1,011)	(33,788)
Payment to Workers' Profit Participation Fund	(41,483)	(93,561)
Taxes paid	(6,866)	(10,592)
Net cash from operating activities	<b>230,261</b>	<b>544,963</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(825,366)	(73,948)
Proceeds from disposal of property, plant and equipment	2,544	-
Interest received on bank deposits	9,864	36,482
Net cash used in investing activities	<b>(812,958)</b>	<b>(37,466)</b>
<b>Cash flows from financing activities</b>		
Repayment of long term finances	(275,000)	(275,000)
Dividend paid on ordinary shares	(3,753)	(139,825)
Dividend paid on preference shares	(8,361)	-
Finance costs paid	(101,942)	(114,096)
Net cash used in financing activities	<b>(389,056)</b>	<b>(528,921)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(971,753)</b>	<b>(21,424)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>47,623</b>	<b>611,237</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(924,130)</b>	<b>589,813</b>
Cash and cash equivalents comprise of the following:		
Cash and bank balances	118,622	718,969
Short term running finances	(1,042,752)	(129,156)
	<b>(924,130)</b>	<b>589,813</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director



# FAUJI CEMENT COMPANY LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	Ordinary share capital Rupees ('000)	Preference share capital Rupees ('000)	Accumulated loss Rupees ('000)	Total Equity Rupees ('000)
Balance at 30 June 2006	3,707,430	486,992	(911,806)	3,282,616
Profit for the period	-	-	366,096	366,096
Dividend @ Rs. 0.50 per ordinary share	-	-	(185,370)	(185,370)
<b>Balance at 31 December 2006</b>	<u>3,707,430</u>	<u>486,992</u>	<u>(731,080)</u>	<u>3,463,342</u>
Balance at 30 June 2007	3,707,430	486,992	(459,216)	3,735,206
Profit for the period	-	-	115,270	115,270
<b>Balance at 31 December 2007</b>	<u>3,707,430</u>	<u>486,992</u>	<u>(343,946)</u>	<u>3,850,476</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director



# FAUJI CEMENT COMPANY LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

1. Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 and commenced its business with effect from 22 May 1993. The shares of the Company are quoted on Karachi, Islamabad and Lahore stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of ordinary portland cement. The Company's registered office is situated at Aslam Plaza, Adamjee Road, Rawalpindi. Fauji Foundation holds 45.8% ordinary and 100% preference shares in the Company.
2. These interim financial statements are unaudited and are being submitted to the shareholders' in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2007. Comparative balance sheet is extracted from annual audited financial statements for the year ended 30 June 2007 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial statements for the six months period ended 31 December 2006.
3. Accounting policies, related judgments, estimates and assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual financial statements of the Company for the year ended 30 June 2007.

#### 4. SHARE CAPITAL

There is no change in composition of issued, subscribed, and paid up share capital of the Company from 30 June 2007. However, on 31 December 2007, the Company has offered an issue of 322,546,451 ordinary shares of Rs. 10 each at an issue price of Rs. 16 per share (including a premium of Rs. 6 per share) as right shares to its existing shareholders. The right option can be exercised on or before 20 February 2008.

Note	Un-audited 31 December 2007 Rupees (' 000)	Audited 30 June 2007 Rupees (' 000)
<b>5. LONG TERM FINANCING - secured</b>		
<b>- From banking companies and financial institutions</b>		
Syndicated term finance facility - secured	5.1      1,150,000	1,425,000
Less: Amount payable within 12 months shown as current portion	<u>(550,000)</u>	<u>(550,000)</u>
	<u><b>600,000</b></u>	<u><b>875,000</b></u>

5.1 Movement in this account during the period/year is as follows:

Opening balance	1,425,000	1,975,000
Repayments during the period/year	<u>(275,000)</u>	<u>(550,000)</u>
Closing balance	<u><b>1,150,000</b></u>	<u><b>1,425,000</b></u>

#### 6. SHORT TERM RUNNING FINANCES- secured

The Company has obtained running finance facilities of Rs 1,500 million (30 June 2007: Rs. 1,500 million) from the banking companies. These facilities are secured against first charge ranking pari passu by way of hypothecation over the present and future assets of the Company and carry mark-up ranging from one month KIBOR +0.25% to KIBOR + 1 % p.a. of the utilized amount payable on a quarterly basis.



# FAUJI CEMENT COMPANY LIMITED

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

There is no change in contingent liabilities as reported in the annual financial statements for the year ended 30 June 2007, except that the Company is contingently liable in respect of guarantees amounting to Rs. 270 million (30 June 2007: Rs. 154 million) issued by the banking companies in ordinary course of business.

### 7.2 Commitments

There is no change in commitments as reported in the annual financial statements for the year ended 30 June 2007, except for the following:

The Company has opened letters of credit for import of machinery, spares and coal valuing Rs. 270.321 million (30 June 2007: Rs. 188.26 million).

Capital commitments of Rs 5,762 million (30 June 2007: Rs. 5,542 million) in respect of new cement manufacturing line. As explained in the annual financial statements of the Company for the year ended 30 June 2007, the Company is in the process of constructing a new production line of 7,200 ton per day clinker capacity and the related financial close is in process.

		Un-audited 31 December 2007	Audited 30 June 2007
	Note	Rupees ('000)	Rupees ('000)
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening carrying amount		4,392,450	4,563,115
Additions during the period / year	8.1	1,652,618	112,789
Written down value of disposals	8.2	-	-
Depreciation for the period/ year		<u>(151,829)</u>	<u>(283,454)</u>
Closing carrying amount		<u>5,893,239</u>	<u>4,392,450</u>
Closing carrying amount includes capital work in progress amounting to Rs. 1,582 million (30 June 2007: Rs. 132.8million).			
<b>8.1 Additions</b>			
Plant, machinery and equipment		139,832	68,286
Building		16,233	3,001
Office equipment		-	833
Computers		2,507	18,552
Electrical equipment		662	3,734
Furniture and fixtures		26	1,094
Motor vehicles		7,903	24,555
Capital work in progress-net	8.3	<u>1,485,455</u>	<u>(7,266)</u>
		<u>1,652,618</u>	<u>112,789</u>
<b>8.2 Disposals</b>			
Cost		2,454	1,126
accumulated depreciation		<u>(2,454)</u>	<u>(1,126)</u>
		<u>-</u>	<u>-</u>
<b>8.3</b>	This mainly includes advances for new production line of 7,200 ton per day clinker capacity.		



# FAUJI CEMENT COMPANY LIMITED

	Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2007	2006	2007	2006
	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
<b>9. SALES-Net</b>				
Sales - Local sales	833,446	959,859	1,848,683	2,303,288
- Export sales	198,215	82,184	351,558	211,974
	<u>1,031,661</u>	<u>1,042,043</u>	<u>2,200,241</u>	<u>2,515,262</u>
Less: - Sales tax	(103,237)	(126,800)	(234,958)	(304,235)
- Excise duty	(160,300)	(179,009)	(353,963)	(376,580)
- Export development surcharge	(476)	(231)	(894)	(548)
	<u>(264,013)</u>	<u>(306,040)</u>	<u>(589,815)</u>	<u>(681,363)</u>
	<u><u>767,648</u></u>	<u><u>736,003</u></u>	<u><u>1,610,426</u></u>	<u><u>1,833,899</u></u>
<b>10. COST OF SALES</b>				
Raw material consumed:				
Opening stock	6,106	7,347	4,579	8,955
Purchases	55,300	47,800	109,818	109,435
Closing stock	(9,094)	(8,604)	(9,094)	(8,604)
	<u>52,312</u>	<u>46,543</u>	<u>105,303</u>	<u>109,786</u>
Packing material consumed	63,884	48,080	132,016	105,222
Stores and spares consumed	4,068	2,756	6,088	5,322
Salaries, wages and benefits	29,455	18,905	59,385	60,088
Rent, rates and taxes	986	116	1,531	717
Insurance	3,050	3,079	6,099	6,139
Fuel consumed	256,911	222,436	563,822	457,206
Power	102,758	99,092	195,008	207,838
Depreciation	72,329	66,867	145,619	133,501
Repairs and maintenance	20,223	9,879	45,157	32,567
Technical assistance	140	-	1,132	-
Printing and stationery	208	156	426	362
Traveling and entertainment	427	799	1,100	1,509
Vehicle running and maintenance expenses	1,622	1,864	3,493	3,683
Communication and other expenses	666	830	1,482	1,496
	<u>609,039</u>	<u>521,402</u>	<u>1,267,661</u>	<u>1,125,436</u>
Add: Opening work-in-process	91,853	70,369	115,221	93,671
Less: Closing work-in-process	(90,860)	(68,211)	(90,860)	(68,211)
Cost of goods manufactured	<u>610,032</u>	<u>523,560</u>	<u>1,292,022</u>	<u>1,150,896</u>
Add: Opening finished goods	46,035	42,938	44,157	23,408
Less: Closing finished goods	(37,726)	(43,465)	(37,726)	(43,465)
	<u><u>618,341</u></u>	<u><u>523,033</u></u>	<u><u>1,298,453</u></u>	<u><u>1,130,839</u></u>



# FAUJI CEMENT COMPANY LIMITED

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

Fauji Foundation holds 45.8% ordinary shares and 100% preference shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds. Transactions and balances with related parties are as follows:

	Six Months Ended	
	31 December 2007	31 December 2006
	Rupees (' 000)	Rupees (' 000)
<b>Main sponsor</b>		
- Sale of cement	5,477	7,326
- Dividend paid	-	109,240
- Preference dividend paid	8,361	-
- Payments for use of medical facilities	2	29
- Advance paid on account of clearance of shipments	7,500	15,500
- Payment for expenses	1,951	
Balance receivable-unsecured	6,830	5,464 *
<b>Contribution to Employees Provident Fund</b>	<b>3,070</b>	<b>2,003</b>
<b>Remuneration including benefits and perquisites to Chief Executive</b>	<b>2,516</b>	<b>2,200</b>
<b>Remuneration including benefits and perquisites to Executives</b>	<b>17,607</b>	<b>11,340</b>
<b>Fee paid to directors for meetings</b>	<b>23</b>	<b>16</b>

\*Comparative figures of receivable balances are as of 30 June 2007

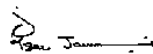
## 12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 20 February 2008.

## 13. GENERAL

Figures have been rounded off to the nearest thousand.

  
Chief Executive

  
Director