



**FAUJI CEMENT COMPANY LIMITED**



**FAUJI CEMENT  
COMPANY LIMITED**

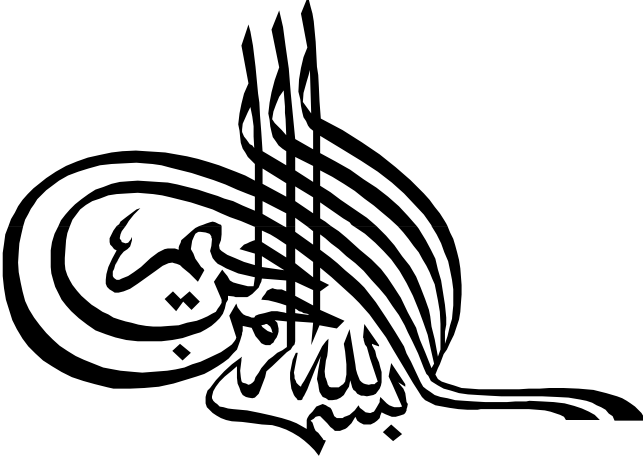


**SECOND QUARTERLY REPORT  
(OCTOBER - DECEMBER)**

**2006**



# 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
Brig Munawar Ahmed Rana, SI(M) (Retired)	Director
Ms Tine Bremholm Kokfelt, FLS	Director
Brig Arif Rasul Qureshi, SI (M) (Retired)	Director
Brig Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director

### ► Company Secretary:

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

### ► Registration & Shares Transfer Officer

Mr. Aftab Muhammad Hafeez, Manager (Shares)  
House No. 62, Khayaban-e-Iqbal (Margalla Road),  
F-7/2, Islamabad  
Tel: (051) 9221694 - 5



# FAUJI CEMENT COMPANY LIMITED

## DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report along with the un-audited accounts of the Company for the half year ended 31 December 2006.
2. During first half of current fiscal year 2007, the cement industry witnessed an accelerated demand for its product. Total cement despatches during this period reached 11.04 Million tons as compared to 8.76 Million tons over the corresponding period of last year showing growth of 26%. Cement exports registered a growth of 46.46% and domestic demand grew by 24.78%. Capacity utilization of the cement industry stood at 77.32 % from an expanded capacity base made available by start up of new production lines and optimization of production capacity undertaken by several units.
3. Although the month of Ramadhan and winters in our prime market area did have some dampening effect, yet FCCL performed well and its local despatches stood at 501,156 tons as compared to 467,477 tons during the corresponding period of last year depicting an increase of 7.20% and exports of 68,736 tons as compared to 65,200 tons last year depicting an increase of 5.42%. Thus, with the total despatches of 569,892 tons, the Company achieved capacity utilization of 97.8% as compared to 91.41% in the corresponding period of last year.
4. Fauji Cement continued to command a premium brand. However, owing to fall in prices of cement, the net profit of the Company witnessed a decrease from Rs. 560.45 Million to Rs. 366.01 Million.
5. Given the overall business scenario, the Board of Directors is confident that the Company has a rewarding future for all its stakeholders.

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



# FAUJI CEMENT COMPANY LIMITED

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at 31 December 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the ("financial statements")), for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Islamabad

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi &amp; Co'.

**KPMG Taseer Hadi & Co**  
**Chartered Accountants**



# FAUJI CEMENT COMPANY LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2006

		31 December 2006 Un-audited Rupees ('000)	30 June 2006 Audited Rupees ('000)
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital	4	4,194,422	4,194,422
Accumulated loss		(731,080)	(911,805)
		<u>3,463,342</u>	<u>3,282,617</u>
<b>LONG TERM FINANCING- secured</b>	5	1,150,000	1,425,000
<b>DEFERRED LIABILITIES</b>			
Staff retirement benefits		8,790	7,912
Deferred tax liability - net		381,677	215,381
<b>CURRENT LIABILITIES</b>			
Trade and other payables		404,659	421,074
Markup accrued		56,661	59,771
Short term borrowing-secured	6	129,156	236,353
Current portion of long term financing	5	550,000	550,000
		1,140,476	1,267,198
		<u>6,144,285</u>	<u>6,198,108</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		

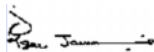
The annexed notes 1 to 13 form an integral part of these financial statements.

  
Chief Executive



# FAUJI CEMENT COMPANY LIMITED

		31 December 2006 Un-audited	30 June 2006 Audited
	Note	Rupees ('000)	Rupees ('000)
<b>FIXED ASSETS - Tangible</b>			
Property, plant and equipment	8	4,500,081	4,563,115
<b>LONG TERM ADVANCE- considered good</b>		9,000	9,000
<b>LONG TERM DEPOSITS- considered good</b>		46,611	46,611
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		581,737	490,887
Stock in trade		140,610	145,090
Trade debts- considered good		34,923	25,475
Advances - considered good		46,362	36,352
Trade deposits and short term prepayments		24,407	11,801
Interest accrued - considered good		6,095	5,476
Other receivables - considered good		20,224	2,837
Advance tax-net		15,266	13,874
Cash and bank balances		718,969	847,590
		1,588,593	1,579,382
		<u>6,144,285</u>	<u>6,198,108</u>

  
Director




# FAUJI CEMENT COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Note	Quarter Ended		Six Months Ended	
		31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
		Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
<b>SALES</b>	9	1,042,043	1,459,544	2,515,262	2,766,287
Less: Government levies	9	(306,040)	(355,520)	(681,363)	(677,502)
<b>NET SALES</b>		736,003	1,104,024	1,833,899	2,088,785
Less: Cost of sales	10	(523,033)	(539,697)	(1,130,839)	(1,032,457)
<b>GROSS PROFIT</b>		212,970	564,327	703,060	1,056,328
Other operating income		17,278	9,938	39,454	16,532
		230,248	574,265	742,514	1,072,860
Distribution cost		(7,180)	(9,793)	(16,920)	(17,053)
Administrative expenses		(14,778)	(23,823)	(32,876)	(35,726)
Other operating expenses		(10,657)	(23,360)	(40,140)	(43,987)
<b>PROFIT FROM OPERATIONS</b>		197,633	517,289	652,578	976,094
Finance cost		(53,849)	(78,179)	(110,985)	(145,560)
<b>NET PROFIT BEFORE TAXATION</b>		143,784	439,110	541,593	830,534
Taxation					
- Current		(3,700)	(6,400)	(9,200)	(12,000)
- Deferred		(42,963)	(132,074)	(166,297)	(258,087)
		(46,663)	(138,474)	(175,497)	(270,087)
<b>PROFIT AFTER TAXATION</b>		97,121	300,636	366,096	560,447
		<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Earnings per share - Basic		0.262	0.811	0.987	1.512
Earnings per share - Diluted		0.232	0.717	0.873	1.336

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

  
Chief Executive

  
Director



# FAUJI CEMENT COMPANY LIMITED

## CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Six Months Ended	
	31 December 2006 Rupees ('000)	31 December 2005 Rupees ('000)
<b>Cash flows from operating activities</b>		
Net profit before taxation	541,593	830,534
<b>Adjustments for:</b>		
Depreciation	136,982	134,395
Provision for staff retirement benefits	7,158	11,448
Finance cost	110,986	143,321
Other operating expenses	40,140	43,987
Gain on sale of property, plant and equipment	—	(319)
Interest on bank deposits	(37,012)	(15,214)
	<u>258,254</u>	<u>317,618</u>
Operating cash flows before working capital changes	799,847	1,148,152
Increase in stores and stocks	(86,370)	(237,433)
(Increase)/decrease in trade debts	(9,449)	63,826
Increase in advances	(10,010)	(21,912)
Increase in trade deposits and prepayments	(12,606)	(9,183)
(Increase)/decrease in other receivables	(17,477)	7,470
Increase in trade and other payables	18,969	47,104
	<u>(116,943)</u>	<u>(150,128)</u>
Cash generated from operations	682,904	998,024
Staff retirement benefits paid	(33,788)	(17,904)
Payments to Workers' Profit Participation Fund	(93,561)	—
Taxes paid	(10,592)	(4,158)
Net cash from operating activities	<u>544,963</u>	<u>975,962</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(73,948)	(110,129)
Insurance claim realized on property, plant and equipment	—	999
Proceeds from sale of property, plant and equipment	—	262
Interest received on bank deposits	36,482	10,736
Net cash used in investing activities	<u>(37,466)</u>	<u>(98,132)</u>
<b>Cash flows from financing activities</b>		
Repayment of long term finances	(275,000)	(325,000)
Dividend paid	(139,825)	—
Finance costs paid	(114,096)	(131,477)
Net cash used in financing activities	<u>(528,921)</u>	<u>(456,477)</u>
<b>(Decrease)/ increase in cash and cash equivalents</b>	<u>(21,424)</u>	<u>421,353</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>611,237</u>	<u>294,233</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>589,813</u></u>	<u><u>715,586</u></u>
Cash and cash equivalents comprise of the following		
Cash and bank balances	718,969	722,340
Short term borrowing-secured	(129,156)	(6,754)
	<u><u>589,813</u></u>	<u><u>715,586</u></u>

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

  
Chief Executive

  
Director



# FAUJI CEMENT COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Ordinary share capital Rupees ('000)	Preference share capital Rupees ('000)	Accumulated (loss) Rupees ('000)	Total Rupees ('000)
Balance at 30 June 2005	3,707,430	486,992	(1,744,798)	2,449,624
Profit for the period	—	—	560,447	560,447
<b>Balance at 31 December 2005</b>	<b>3,707,430</b>	<b>486,992</b>	<b>(1,184,351)</b>	<b>3,010,071</b>
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>	<b>3,707,430</b>	<b>486,992</b>	<b>(731,080)</b>	<b>3,463,342</b>

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

  
Chief Executive

  
Director



# FAUJI CEMENT COMPANY LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

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

The disclosures made in these condensed interim financial statements have, however been limited, based on the requirements of the International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2006.

3. Accounting policies, related judgments, estimates and assumptions adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended 30 June 2006.

#### 4. **SHARE CAPITAL**

There is no change in composition of issued, paid up and subscribed share capital of the Company from 30th June 2006.



# FAUJI CEMENT COMPANY LIMITED

	Note	31 December 2006 Rupees ('000)	30 June 2006 Rupees ('000)
<b>5. LONG TERM FINANCING - secured</b>			
<b>- From banking companies and financial institutions</b>			
Syndicated term finance facility - secured	5.1	1,700,000	1,975,000
Less: Amount payable within 12 months shown as current portion		(550,000)	(550,000)
		<u>1,150,000</u>	<u>1,425,000</u>
5.1 Movement in this account during the period/year is as follows:			
Opening balance		1,975,000	3,075,000
Repayments during the period/year		(275,000)	(1,100,000)
Closing balance		<u>1,700,000</u>	<u>1,975,000</u>

## 6. SHORT TERM BORROWING – SECURED

The Company have the facility of running finance up to Rs. 500 million (30 June 2006: Rs. 500 million) from United Bank Limited. The facility is secured against first charge ranking pari passu by way of hypothecation over the present and future assets of the Company (excluding land and building) and carries mark-up of one month KIBOR + 1 % of the utilized amount.

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2006.

### 7.2 Commitments

There is no change in the commitments as reported in the annual financial statements for the year ended 30 June 2006, except for the following:

The Company has opened letters of credit for the import of machinery, spares and coal valuing Rs. 188.68 million (30 June 2006: Rs. 148.96 million).



# FAUJI CEMENT COMPANY LIMITED

	Note	31 December 2006 Rupees ('000)	30 June 2006 Rupees ('000)
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening carrying amount		4,563,115	4,658,271
Additions during the period / year	8.1	73,948	196,257
Written down value of disposal	8.2	–	(1,466)
Written down value of transfers		–	(23,415)
Depreciation for the period/ year		(136,982)	(266,532)
Closing carrying amount		<u>4,500,081</u>	<u>4,563,115</u>

Closing carrying amount includes capital work in progress amounting to Rs. 167,993,577 (30 June 2006: 140,073,634).

## 8.1 Additions

Plant, machinery and equipment	27,262	205,850
Building	925	–
Office equipment	390	1,144
Computers	945	3,056
Electrical equipment	926	877
Furniture and fixtures	312	821
Motor vehicles	15,268	10,818
Fire fighting equipment	–	536
Capital work in progress-net	27,920	(26,845)
	<u>73,948</u>	<u>196,257</u>

## 8.2 Disposal

Motor vehicles	–	1,442
Computer	–	24
	<u>–</u>	<u>1,466</u>



# FAUJI CEMENT COMPANY LIMITED

		Quarter Ended		Six Months Ended	
		31 December	31 December	31 December	31 December
		2006	2005	2006	2005
		Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
<b>9.</b>	<b>SALES-Net</b>				
Sales	- Local sales	959,859	1,311,870	2,303,288	2,485,806
	- Export sales	82,184	147,674	211,974	280,481
		<u>1,042,043</u>	<u>1,459,544</u>	<u>2,515,262</u>	<u>2,766,287</u>
Less:	- Sales tax	(126,800)	(172,177)	(304,235)	(326,159)
	- Excise duty	(179,009)	(182,990)	(376,580)	(350,608)
	- Export development surcharge	(231)	(353)	(548)	(735)
		<u>(306,040)</u>	<u>(355,520)</u>	<u>(681,363)</u>	<u>(677,502)</u>
		<u><b>736,003</b></u>	<u><b>1,104,024</b></u>	<u><b>1,833,899</b></u>	<u><b>2,088,785</b></u>
<b>10.</b>	<b>COST OF SALES</b>				
	Raw material consumed:				
	Opening stock	7,347	3,918	<b>8,955</b>	10,184
	Purchases	43,527	58,517	<b>100,465</b>	97,463
	Closing stock	(8,604)	(12,188)	<b>(8,604)</b>	(12,188)
		<u><b>42,270</b></u>	<u><b>50,247</b></u>	<u><b>100,816</b></u>	<u>95,459</u>
	Packing material consumed	48,080	46,955	<b>105,222</b>	89,642
	Machinery hiring charges	4,273	1,038	<b>8,970</b>	1,689
	Stores and spares consumed	2,756	1,484	<b>5,322</b>	2,892
	Salaries, wages and benefits	18,905	50,844	<b>60,088</b>	80,140
	Rent, rates and taxes	116	172	<b>717</b>	1,462
	Insurance	3,079	3,098	<b>6,139</b>	6,197
	Fuel consumed	222,436	199,896	<b>457,206</b>	392,725



# FAUJI CEMENT COMPANY LIMITED

	Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	Rupees ('000)	Rupees ('000)	Rupees ('000)	Rupees ('000)
Power	99,092	96,922	207,838	190,195
Depreciation	66,867	65,820	133,501	131,709
Repairs and maintenance	9,879	15,050	32,567	28,831
Printing and stationery	156	211	362	444
Traveling and entertainment	799	678	1,509	1,262
Vehicle running and maintenance expenses	1,864	1,254	3,683	2,088
Communication, establishment and other expenses	830	759	1,496	1,498
	<b>521,402</b>	<b>534,428</b>	<b>1,125,436</b>	<b>1,026,233</b>
Add: Opening work-in-process	70,369	28,490	93,671	11,624
Less: Closing work-in-process	(68,211)	(14,173)	(68,211)	(14,173)
Cost of goods manufactured	<b>523,560</b>	<b>548,745</b>	<b>1,150,896</b>	<b>1,023,684</b>
Add: Opening finished goods	42,938	8,017	23,408	25,838
Less: Closing finished goods	(43,465)	(17,065)	(43,465)	(17,065)
	<b>523,033</b>	<b>539,697</b>	<b>1,130,839</b>	<b>1,032,457</b>

## 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:



# FAUJI CEMENT COMPANY LIMITED

	Six Months Ended	
	31 December	31 December
	2006	2005
	Rupees ('000)	Rupees ('000)
<b>Main sponsor</b>		
- Sale of cement	7,326	3,455
- Interest paid on long term finance	-	456
- Dividends paid	109,240	-
- Payments for use of medical facilities	29	-
- Advance paid on account of clearance of shipments	15,500	5,265
- Payment of principal portion of loan	-	50,000
Balance of advance for clearance of shipments	4,014	3,190 *
<b>F.L. Smidth &amp; Co. A/S (associated undertaking)</b>		
- Supply of equipment and spares	61,684	15,780
- Dividends paid	3,645	-
<b>Contribution to Employees Provident Fund</b>	-	2,876
<b>Payment to Gratuity Fund</b>	-	16,943
<b>Remuneration including benefits and perquisites to Chief Executive</b>	2,200	1,611
<b>Remuneration including benefits and perquisites to Executives</b>	11,340	15,112
<b>Receivable from/(payable to) gratuity fund</b>	17,742	(6,028) *

\* Comparative figures of receivable/ payable balances are as of 30 June 2006



# FAUJI CEMENT COMPANY LIMITED

## 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 21 February 2007.

## 13. GENERAL

13.1 Figures have been rounded off to the nearest thousand, unless otherwise stated.

  
Chief Executive

  
Director