

Half Yearly Un-Audited Accounts 31 December 2010



**Fauji Cement
Company Limited**



ISO 9001 & ISO 14001
APPROVED



Registration Number
014



Registration Number
014

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FAUJI CEMENT COMPANY LIMITED

COMPANY INFORMATION

at a glance

► **Board of Directors**

Lt Gen Hamid Rab Nawaz, HI (M) (Retired)	Chairman
Lt Gen Javed Alam Khan, HI (M) (Retired)	Chief Executive / MD
Mr. Qaiser Javed	Director
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
Mr. Max Kruse	Director

► **Company Secretary:**

Brig Sajjad Azam Khan (Retired)
Fauji Tower, Block – III,
68 Tipu Road,
Chaklala, Rawalpindi (Pakistan)
Tel : (051) 9280075
Fax : (051) 9280416
E-mail: sajjad@fccl.com.pk
Web Site: <http://www.fccl.com.pk>

► **Chief Financial Officer**

Mr. Omer Ashraf
Tel (051) 5500157

► **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)2060653

► **Company Website**

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

► **Share Registrar**

M/s CORPLINK (PVT) LIMITED
Wings Arcade, 1-K, Commercial, Model Town, Lahore
Ph No: 042-35916714 & 042-35916719
Fax No: 042-35869037



FAUJI CEMENT COMPANY LIMITED

DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report along with the un-audited accounts of the Company with limited scope review by the auditors for the half year ended 31 December 2010.

2. During the period under review, FCCL capacity utilization remained at 90% as compared to 95% in the corresponding first half of the last year. FCCL exported 231,957 tons as compared to 122,570 tons in the same period last year showing an increase of 89% due to higher retention price. Local dispatches stood at 293,890 tons as compared to 433,390 tons during the corresponding period of last year depicting a decrease of 32%.

3. The cost of sales per ton during the period under review was higher than the corresponding period of last year due to increase in fuel prices. However, the average retention price improved by a higher percentage which increased the profitability of the Company.

4. Work on the new Line of production is nearing completion with commissioning work on going and commercial production is expected to be completed by the end of 1st Quarter of 2011.

5. Presently, the prices of cement are showing a slight improvement due to change in construction trends and it is expected that the same will further improve with the increase in demand of cement on the start of summer season. The board is confident that the profitability will improve in the second half of the year.

A handwritten signature in black ink, appearing to be 'Hamid Rab Nawaz'.

Rawalpindi
3 February 2011

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



FAUJI CEMENT COMPANY LIMITED

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Fauji Cement Company Limited ("the Company") as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information"), for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 at and for the six months period ended 31 December 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the three months periods ended 31 December 2010 and 31 December 2009 in the interim financial information have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six months period ended 31 December 2010.

Islamabad
3 February 2011

KPMG TASEER HADI & Co.
Chartered Accountants
Muhammad Rehan Chughtai



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010 Un-audited Rupees'000	30 June 2010 Audited Rupees'000
SHARE CAPITAL AND RESERVES			
Share capital	4	7,419,887	7,419,887
Reserves		<u>2,525,992</u>	<u>2,190,798</u>
		9,945,879	9,610,685
Subordinated loan - unsecured	5	1,437,000	400,000
NON - CURRENT LIABILITIES			
Long term financing - secured	6	12,889,542	11,909,030
Fair value of derivative		-	72,026
Deferred liability - compensated absences		23,372	14,707
Deferred tax liability - net		798,575	788,636
CURRENT LIABILITIES			
Trade and other payables		1,108,164	1,698,674
Markup accrued		395,655	349,130
Short term borrowings - secured		1,760,354	865,727
Current portion of long term financing		627,827	1,071,384
		<u>3,892,000</u>	<u>3,984,915</u>
		<u>28,986,368</u>	<u>26,779,999</u>
CONTINGENCIES AND COMMITMENTS	7		

Note: The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chief Executive



FAUJI CEMENT COMPANY LIMITED

		31 December 2010 Un-audited Rupees'000	30 June 2010 Audited Rupees'000
NON - CURRENT ASSETS			
Property, plant and equipment	8	25,456,693	23,819,040
Long term advance		5,400	5,400
Long term deposits and prepayments		822,771	884,841
CURRENT ASSETS			
Stores, spares and loose tools		1,447,338	1,060,533
Stock in trade		329,685	96,684
Trade debts		23,419	24,514
Advances		59,565	46,981
Trade deposits, short term prepayments and balance with statutory authority		701,018	601,364
Interest accrued		931	567
Other receivables		32,446	47,858
Cash and bank balances		107,102	192,217
		<u>2,701,504</u>	<u>2,070,718</u>
		<u>28,986,368</u>	<u>26,779,999</u>

Director



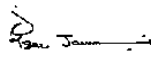
FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN - AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Note	Quarter Ended		Six Months Ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Rupees'000	Rupees'000	Rupees'000	Rupees'000
SALES	1,525,813	1,277,897	2,714,503	2,537,158
Less: Government levies	(267,510)	(326,210)	(462,209)	(607,077)
NET SALES	1,258,303	951,687	2,252,294	1,930,081
Less: Cost of sales	9 (1,041,749)	(865,478)	(1,831,661)	(1,581,962)
GROSS PROFIT	216,554	86,209	420,633	348,119
Other income	3,125	5,992	9,502	15,629
	219,679	92,201	430,135	363,748
Distribution cost	(24,130)	(9,960)	(38,337)	(22,242)
Administrative expenses	(32,446)	(24,057)	(80,888)	(49,672)
Other operating expenses	(11,034)	(3,888)	(21,046)	(19,080)
PROFIT FROM OPERATIONS	152,069	54,296	289,864	272,754
Finance cost	(4,356)	(4,250)	(6,270)	(16,530)
NET PROFIT BEFORE TAXATION	147,713	50,046	283,594	256,224
Taxation				
- Current	(12,583)	(11,986)	(22,523)	(78,932)
- Prior year	-	10,802	-	10,802
- Deferred	10,112	(3,368)	(9,939)	5,535
	(2,471)	(4,552)	(32,462)	(62,595)
NET PROFIT AFTER TAXATION	145,242	45,494	251,132	193,629
Earnings per share - Basic (Rupees)	0.209	0.066	0.362	0.279
Earnings per share - Diluted (Rupees)	0.144	0.061	0.275	0.261

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chief Executive


Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN - AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Quarter ended		Six months ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Net profit after taxation	145,242	45,494	251,132	193,629
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedge -net	30,837	(10,649)	84,062	(265,379)
Total comprehensive income	176,079	34,845	335,194	(71,750)

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

Chief Executive

Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	31 December 2010 Rupees '000	31 December 2009 Rupees '000
Cash flows from operating activities		
Net profit before taxation	283,594	256,224
Adjustment for:		
Depreciation	196,834	165,313
Provision for compensated absences	15,763	12,704
Workers' (Profit) Participation Fund including interest and Workers' Welfare Fund	20,961	19,803
Finance cost	6,205	15,607
Reversal of provision for doubtful debts	-	(1,567)
Gain on disposal of property, plant and equipment	(1,226)	-
Interest income including interest on long term advance	(5,140)	(6,162)
	233,397	205,698
Operating cash flows before working capital changes	516,991	461,922
(Increase)/decrease in stores and stocks	(619,806)	299,624
Increase in retention money	-	58,505
Decrease/(increase) in trade debts	1,095	(47,254)
Increase in advances	(12,584)	(14,221)
Increase in trade deposits, short term prepayments and balance with statutory authority	(93,637)	(145,855)
Decrease/(increase) in other receivables	15,412	(62,331)
Increase/(decrease) in trade and other payables	130,189	(127,528)
	(579,331)	(39,060)
Cash generated from operations	(62,340)	422,862
Compensated absences paid	(1,008)	(1,296)
Payment to Workers' (Profit) Participation Fund	(17,534)	(74,951)
Income tax paid	(28,540)	(49,005)
Net cash (used in)/generated from operating activities	(109,422)	297,610
Cash flows from investing activities		
Additions in property, plant and equipment excluding borrowing cost capitalized	(675,760)	(1,844,318)
Proceeds from disposal of property, plant and equipment	3,236	-
Interest received on bank deposits	4,776	6,136
Net cash used in investing activities	(667,748)	(1,838,182)
Cash flows from financing activities		
Repayment of long term financing	-	(275,000)
Proceeds from long-term financing	1,537,000	1,840,000
Dividend paid on ordinary shares	-	(5)
Dividend paid on preference shares	(33,442)	(16,721)
Export re-finance and import finance (net)	(242,090)	105,000
Finance cost paid	(1,706,130)	(459,099)
Net cash (used in)/generated from financing activities	(444,662)	1,194,175
Decrease in cash and cash equivalents	(1,221,832)	(346,397)
Cash and cash equivalents at beginning of the period	125,580	(169,831)
Cash and cash equivalents at end of the period	(1,096,252)	(516,228)
Cash and cash equivalents comprise of the following:		
Cash and bank balances	107,102	211,693
Short term running finances	(1,203,354)	(727,921)
	(1,096,252)	(516,228)

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

Chief Executive

Director



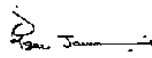
FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Share capital		Capital reserve		Revenue reserve	Total
	Ordinary	Preference	Share premium	Hedging reserve	Accumulated profit	
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Balance as at 30 June 2009	6,932,895	486,992	1,833,709	(499,830)	936,923	9,690,689
Total comprehensive income						
Profit for the period	-	-	-	-	193,629	193,629
Other comprehensive income	-	-	-	(265,379)	-	(265,379)
Total comprehensive income for the period	-	-	-	(265,379)	193,629	(71,750)
Balance as at 31 December 2009	<u>6,932,895</u>	<u>486,992</u>	<u>1,833,709</u>	<u>(765,209)</u>	<u>1,130,552</u>	<u>9,618,939</u>
Balance as at 30 June 2010	6,932,895	486,992	1,833,709	(796,571)	1,153,660	9,610,685
Total comprehensive income						
Profit for the period	-	-	-	-	251,132	251,132
Other comprehensive income	-	-	-	84,062	-	84,062
Total comprehensive income for the period	-	-	-	84,062	251,132	335,194
Balance as at 31 December 2010	<u>6,932,895</u>	<u>486,992</u>	<u>1,833,709</u>	<u>(712,509)</u>	<u>1,404,792</u>	<u>9,945,879</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chief Executive


Director



FAUJI CEMENT COMPANY LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

1. Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 and commenced its business with effect from 22 May 1993. The shares of the Company are quoted on Karachi, Islamabad and Lahore stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of ordinary portland cement. The Company's registered office is situated at Aslam Plaza, Adamjee Road, Rawalpindi. Fauji Foundation holds 26.86% ordinary and 100% preference shares in the Company.
2. This condensed interim financial information is un-audited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from annual audited financial statements for the year ended 30 June 2010 whereas comparative profit and loss account, cash flow statement, statement of comprehensive income and statement of changes in equity are stated from un-audited condensed interim financial information for six months period ended 31 December 2009.
3. The accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements of the Company for the year ended 30 June 2010.

4. SHARE CAPITAL

There is no change in composition of issued, subscribed and paid up share capital of the Company from 30 June 2010.

5. SUBORDINATED LOAN - Unsecured

This represents unsecured subordinated 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 markup 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.

6. LONG TERM FINANCING - secured	Note	31 December 2010 Rupees'000 Un-audited	30 June 2010 Rupees'000 Audited
- From banking companies			
Term finance facilities including syndicated term finance facilities-secured	6.1	13,517,369	12,980,414
Less: Current portion shown under current liabilities		(627,827)	(1,071,384)
		<u>12,889,542</u>	<u>11,909,030</u>
6.1 Movement in this account during the period/year is as follows:			
Opening balance		12,980,414	6,224,227
Long-term finance obtained during the period/year including revaluation and transaction cost adjustment		536,955	6,756,187
Closing balance		<u>13,517,369</u>	<u>12,980,414</u>



FAUJI CEMENT COMPANY LIMITED

6.2 During the period, the Company's foreign lender agreed to enhance the grace period of the loan by one year. As a result, the first installment now falls due in November 2011 whereas total tenure remains the same. Additionally, the related covenants testing has also been deferred by one year.

During the period the Company has terminated the hedging arrangement and accordingly has settled the related liabilities.

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 2010.

7.2 Commitments

- a) The Company has opened Letters of Credit for the import of machinery, coal and spare parts valuing Rs. 625 million (30 June 2010: Rs. 137 million).
- b) The Company has capital commitments of Rs. 197 million (30 June 2010: 202 million) in respect of new cement manufacturing line.

	31 December 2010 Un-audited Rupees'000	30 June 2010 Audited Rupees'000
8. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	23,819,040	18,777,204
Additions during the period/year	1,836,497	5,372,308
Written down value of disposals	(2,010)	(3,342)
Depreciation for the period/year	(196,834)	(327,130)
Closing carrying amount	25,456,693	23,819,040



FAUJI CEMENT COMPANY LIMITED

	Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	Rupees'000	Rupees'000	Rupees'000	Rupees'000
9. COST OF SALES				
Raw material consumed	64,024	55,333	132,417	116,551
Packing material consumed	92,771	89,836	167,840	157,062
Stores and spares consumed	6,506	5,621	12,777	9,567
Salaries, wages and benefits	78,914	56,874	144,595	110,205
Rent, rates and taxes	1,429	1,091	2,638	2,294
Insurance	6,257	3,546	12,382	7,092
Fuel consumed	429,450	274,660	891,172	643,584
Power consumed	180,294	162,264	343,769	317,348
Depreciation	96,117	78,433	190,349	156,736
Repairs and maintenance	43,455	9,991	75,697	33,673
Printing and stationery	494	286	767	486
Traveling and conveyance	1,953	2,298	2,825	3,426
Vehicle running and maintenance expenses	3,737	3,239	7,492	5,293
Communication, establishment and other expenses	1,890	1,131	3,094	3,079
	1,007,291	744,603	1,987,814	1,566,396
Add: Opening work-in-process	175,575	129,876	11,195	41,405
Less: Closing work-in-process	(132,278)	(20,193)	(132,278)	(20,193)
Cost of goods manufactured	1,050,588	854,286	1,866,731	1,587,608
Add: Opening finished goods	55,687	54,915	33,411	50,332
Less: Closing finished goods	(60,342)	(32,699)	(60,342)	(32,699)
	1,045,933	876,502	1,839,800	1,605,241
Less: Own consumption capitalized	(4,184)	(11,024)	(8,139)	(23,279)
	1,041,749	865,478	1,831,661	1,581,962



FAUJI CEMENT COMPANY LIMITED

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Six Months Ended	
	31 December 2010	31 December 2009
	Rupees'000	Rupees'000
Fauji Foundation		
- Sale of cement	7,759	2,285
- Preference dividend paid	33,442	16,721
- Payment for use of medical facilities	121	17
- Advance paid on account of clearance of shipments	20,000	7,400
- Subordinated loan obtained during the period - unsecured	1,037,000	-
- Balance receivable on account of clearance of shipments	11,699	1,964 *
- Balance of subordinated loan obtained - unsecured	1,437,000	400,000 *
- Preference dividend payable	-	33,442 *
- Rent paid	660	-
Payments made into Employees' Provident Fund	14,164	5,674
Payments made to Workers' (Profit) Participation Fund	17,534	74,951
Remuneration including benefits and perquisites to Chief Executive	7,523	3,410
Remuneration including benefits and perquisites to key management personnel	13,051	11,540

* Comparative figures relate to 30 June 2010 balances

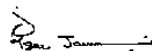
11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on February 03, 2011.

12. GENERAL

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


Chief Executive


Director

Book Post

Under Postal Certificate

If undelivered please return to:



Company Secretary

Fauji Cement Company Limited

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