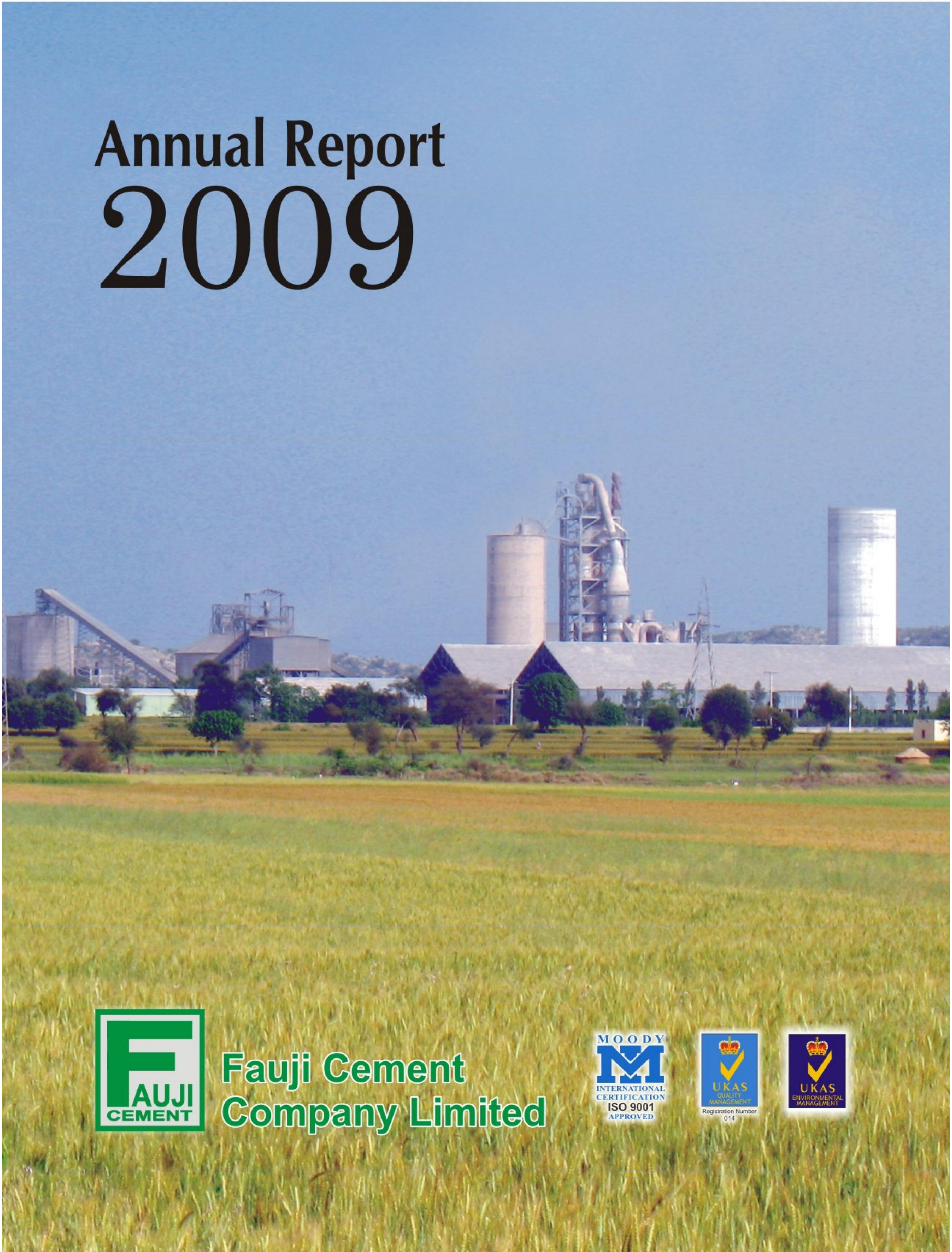


Annual Report 2009

Fauji Cement Company Limited

MOODY INTERNATIONAL CERTIFICATION ISO 9001 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 Arif Rasul Qureshi, SI (M) (Retired)	Director
Brig Rahat Khan, SI (M) (Retired)	Director
Dr. Nadeem Inayat	Director
Brig Liaqat Ali (Retired)	Director
Brig Munawar Ahmed Rana, SI(M) (Retired)	Director

? **Company Secretary:**

Brig Shabbir Ahmed (Retired)
House No. 62, Khayaban-e-Iqbal (Margalla Road), F- 7/2,
Islamabad - Pakistan
Tel: (051) 9102451
Fax: (051) 9102454
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

? **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

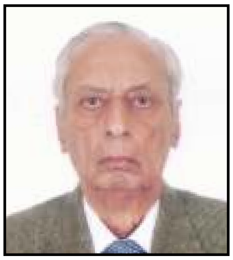
Lt Gen Hamid Rab Nawaz,
HI (M) (Retired)

Chief Executive & Managing Director

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

Board of Directors

Mr. Qaiser Javed



Mr. Riyaz H. Bokhari, IFU

Brig Arif Rasul Qureshi,
SI (M) (Retired)

Brig Rahat Khan,
SI (M) (Retired)

Dr.Nadeem Inayat

Brig Liaqat Ali (Retired)

Brig Munawar Ahmed Rana,
SI (M) (Retired)

Brig Shabbir Ahmed (Retired)
Company Secretary

Key Management


Mir Khawar Saleem
Director (Project) New Line


Mr. Nabeed Najam
GM (Plan) Existing Line


Brig Muhammad Sarwar (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 Shabbir Ahmed (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 Shabbir Ahmed (Retired), Company Secretary	-	Secretary

Technical Committee

Brig Rahat Khan (Retired)	-	President
Brig Arif Rasul Qureshi (Retired)	-	Member
Brig Liaqat Ali (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		2003	2004	2005	2006	2007	2008	2009
Gross Profit Margin	%	11.62	32.26	38.01	51.12	31.52	18.56	31.75
Operating Profit Margin	%	8.09	(1.70)	34.75	47.64	28.74	16.96	30.98
Pre Tax Margin	%	(34.67)	(10.60)	26.68	41.48	22.76	12.82	26.75
After Tax Margin	%	(35.17)	13.68	17.94	28.08	18.66	11.66	18.96
Performance								
Return on total assets	%	(8.42)	5.32	8.20	19.42	10.10	3.32	4.70
Total Assets turnover	Times	0.24	0.39	0.46	0.69	0.54	0.28	0.25
Fixed Assets turnover	Times	0.33	0.52	0.63	0.97	0.81	0.50	0.28*
Return on Paid up Share Capital	%	(12.67)	7.49	12.17	28.70	15.41	5.57	13.58
Leverage								
Debt Equity Ratio	Times	2.66	1.88	1.26	0.60	0.38	0.09	0.40
Current Ratio	Times	1.53	1.54	0.92	1.25	1.35	2.16	0.81**
Quick Ratio	Times	1.43	1.38	0.88	1.13	1.23	2.06	0.74**
Valuation								
Earnings per share (basic)	Rs	(1.42)	0.84	1.36	3.21	1.73 Restated	0.85	1.45
Breakup Value per share (basic)	Rs	4.38	5.23	6.61	8.85	10.07	13.39	13.97
Breakup Value per share (diluted)	Rs	3.87	4.62	5.84	7.83	8.91	12.51	13.06
Dividend per share	Rs	Nil	Nil	Nil	1.50	-	-	-
Dividend payout Ratio	%	N/A	N/A	N/A	31%	-	-	-
Market Price per share (average)	Rs	7.23	14.15	12.76	19.38	20.09	16.06	6.49
Historical Trends								
Trading Results								
Sales-net	Rs in 000	1,510,738	2,296,231	2,845,143	4,286,138	3,463,283	3,545,902	5,314,538
Gross Profit	Rs in 000	175,605	740,824	1,081,576	2,191,111	1,091,495	658,112	1,687,428
Operating Profit / (loss)	Rs in 000	122,213	(39,068)	988,673	2,041,984	995,285	601,518	1,646,233
Profit / (loss) before tax	Rs in 000	(523,731)	(243,291)	759,039	1,777,687	788,180	454,564	1,424,517
Profit / (loss) after tax	Rs in 000	(531,381)	314,148	510,490	1,203,735	646,323	413,598	1,007,623
Financial Position								
Shareholders Equity	Rs in 000	1,624,986	1,939,134	2,449,624	3,282,617	3,735,206	9,283,981	9,690,689
Property plant & Equipment	Rs in 000	4,659,449	4,729,254	4,658,272	4,563,115	4,392,450	7,106,599	16,777,204
Working Capital	Rs in 000	249,006	202,345	(90,112)	312,183	511,240	2,839,322	(387,648)**
Non current liabilities	Rs in 000	4,215,938	3,599,103	2,567,218	1,648,292	1,223,195	715,751	9,131,299

* Includes Capital Work In Progress of Rs. 14,538 Million.
** Excluding fair value of cross currency swap (non-cash)

Notice of 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the Company will be held at 1030 hours 27 October 2009 (Tuesday) at Hotel Pearl Continental Rawalpindi, to transact the following business:-

1. To confirm the Minutes of 16th Annual General Meeting held on 30 October 2008.
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 2009.
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: 5 October 2009

Brig Shabbir Ahmed (Retd)
Company Secretary

NOTES

(1) The Share Transfer Books of the Company will remain closed from 21 October 2009 to 28 October 2009 (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 - 2009

General

1. The Directors of Fauji Cement Company Limited (FCCL) are pleased to present the 17th Annual Report together with audited financial statements of the Company for the year ended 30 June 2009 and Auditors' Report thereon.

Market Overview

2. The upsurge in demand for cement continued during Fiscal Year 2008-09 as well. Total despatches stood at 30.80 Million tons, depicting an increase of 2.20% over 30.10 Million tons of the last year. However, due to increase in the installed capacity , the overall capacity utilization of the industry was recorded at 73.69% as compared to 81.04% of the last year. Whereas local demand fell by 14.07%, significant increase was witnessed in the export of the cement i.e from 7.72 Million ton in the last year to 11.38 Million tons this year (increase of 47.5%).

3. Comparing with the Industry, the overall performance of FCCL has been substantially higher. It achieved a capacity utilization of 100.09 % as compared to 73.69% of the Industry.

4. The highlights of the performance of the Company vis-à-vis the Industry are as under:-

a. **FCCL**

	2008-09	2007-08	Difference (%)
(1) Domestic Despatches (tons)	891,250	899,405	-0.91
(2) Exports (tons)	275,340	278,095	-0.99
(3) Total Despatches (tons)	1,166,590	1,177,500	-0.93
(4) Capacity Utilization (%)	100.09	101.03	-0.93

b. **Industry**

	2008-09	2007-08	Difference (%)
(1) Domestic Despatches (tons)	19,394,024	22,395,522	-13.40
(2) Exports (tons)	11,380,830	7,716,620	47.48
(3) Total Despatches (tons)	30,774,854	30,112,142	2.20
(4) Capacity Utilization (%)	73.69	81.04	-9.07

Production Review

5. Performance of the plant remained above satisfactory level with 100% capacity utilization. Comparative production figures are given as under:-

		2008 ~ 09	2007 ~ 08
a.	Clinker (Tons)	1,066,625	1,119,221
b.	Cement (Tons)	1,183,684	1,174,722

Financial Performance

6. **Profitability.** The Company earned a Profit After Tax of Rs. 1,007 Million as compared to the last year's profit of Rs. 414 Million. The profit from operations increased from Rs. 602 Million to Rs. 1,646 Million depicting an increase of 173 % owing to increase in cement prices.

7. **Contribution to National Exchequer**. The Company contributed a sum of Rs. 1,997 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.

8. **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.

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

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

11. **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.

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

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

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

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

Description	2009	2008	2007	2006	2005	2004
Operating Results (Rs. In Million)						
Net Sales	5,314.538	3,545.902	3,463.283	4,286.138	2,845.143	2,296.231
Gross Profit	1,687.428	658.112	1,091.495	2,191.111	1,081.576	740.824
Operating Profit	1,646.233	601.518	995.285	2,041.984	988.673	723.084
Financial Charges	224.716	146.954	207.105	264.297	229.634	204.223
Profit/(Loss) after taxation	1,007.623	413.598	646.323	1,203.735	510.490	314.148
Balance Sheet						
Shareholder's Equity	9,690.689	9,283,981	3,735.206	3,282.617	2,449.624	1,939.134
Fixed Assets	18,777.204	7,106.599	4,392.450	4,563.115	4,658.272	4,729.254
Long Term Loans including current portion	6,549.227	875.000	1,425.000	1,975.000	3,075.000	3,645.347
EPS (Rs)						
Basic	1.45	0.85	1.73 Restated	3.21 Restated	1.36 Restated	0.84 Restated
Diluted	1.36	0.77	1.53 Restated	2.84 Restated	1.21 Restated	0.74 Restated

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

17. **Value of Investment of Employees.** Value as on 30 June 2009 is given below:-

		Management Staff	Non-Management Staff
Provident Fund	:	Rs. 66,014,038	Rs. 42,593,135

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**

(1)	Lt Gen Syed Arif Hasan, HI (M), (Retired)	-	3
(2)	Lt Gen Hamid Rab Nawaz, HI (M), (Retired)	-	4
(3)	Maj Gen Malik Iftikhar Khan, HI (M) (Retired)	-	2
(4)	Lt Gen Javed Alam Khan, HI (M), (Retired)	-	7
(5)	Mr. Qaiser Javed	-	7
(6)	Mr. Riyaz H. Bokhari, IFU	-	5
(7)	Brig Arif Rasul Qureshi, SI (M) (Retired)	-	7
(8)	Brig Rahat Khan, SI (M) (Retired)	-	6
(9)	Dr. Nadeem Inayat	-	7
(10)	Brig Liaqat Ali (Retired)	-	6
(11)	Brig Munawar Ahmed Rana, SI (M) (Retired)	-	6

b. **Audit Committee** — **No of Meetings Attended**

(1)	Mr. Qaiser Javed	-	5
(2)	Mr. Riyaz H. Bokhari, IFU	-	6
(3)	Brig Rahat Khan, SI (M) (Retired)	-	4
(4)	Dr. Nadeem Inayat	-	5

c. **Human Resource Committee**

(1)	Dr. Nadeem Inayat	-	2
(2)	Mr. Qaiser Javed	-	1
(3)	Brig Liaqat Ali (Retired)	-	2

d. **Technical Committee**

(1)	Brig Rahat Khan (Retired)	-	5
(2)	Brig Arif Rasul Qureshi (Retired)	-	3
(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 2008-09.

Pattern of Share-holding

21. Pattern of share-holding as on 30 June 2009 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. 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 Chairman

24. Lt Gen Hamid Rab Nawaz, HI (M) (Retired) has replaced Lt Gen Syed Arif Hasan, HI (M) (Retired) as Chairman of the Board of Directors of the Company with effect from 28 December 2008. The Board welcomes the new Chairman and records its appreciation for the valueable services rendered by Lt Gen Syed Arif Hasan, HI (M) (Retired).

Change of Managing Director/Chief Executive

25. On retirement of Maj Gen Malik Iftikhar Khan, HI (M) (Retired), Lt Gen Javed Alam Khan, HI (M) (Retired) has been appointed as Managing Director and Chief Executive of the Company with effect from 1 November 2008. The Board while welcoming the new CEO, also places on record its appreciation for the commendable services rendered by Maj Gen Malik Iftikhar Khan, HI (M) (Retired).

External Auditors

26. The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants will stand retired at the conclusion of the 17th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee.

Product Quality

27. 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.

28. The Company, by grace of Almighty ALLAH, is an ISO 9001-2000 and ISO-14001-2004 Certified Company.

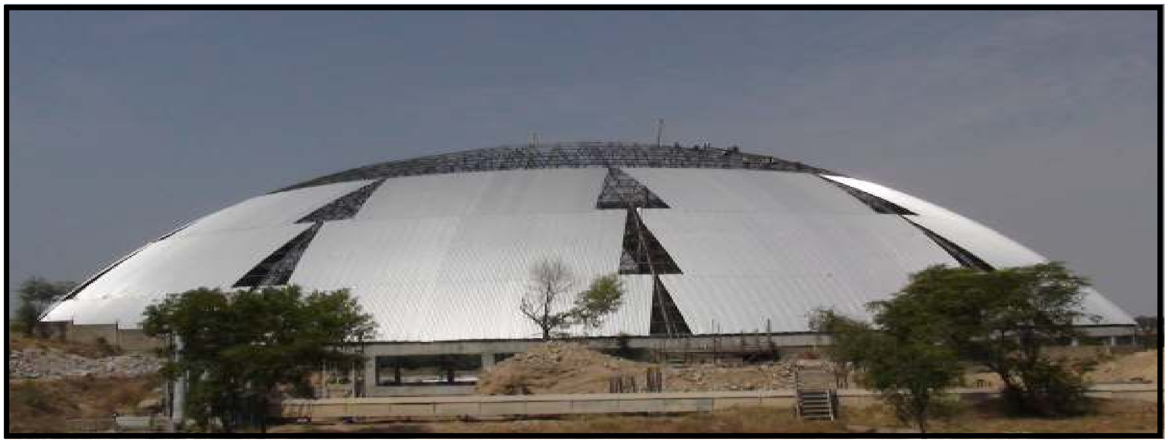
Future Outlook

29. **New Line of Production**

a. Construction activities of new line of production of 7200 tons per day clinker are progressing well in accordance with the plan. 76% of the civil works has been completed and mechanical erection has commenced. Almost complete plant and machinery has also reached the Site from Europe.

b. The Plant will be the single largest production line ever installed in Pakistan. It will be commissioned in May 2010.

Existing and Under Construction New Line of Production



Raw Material Storage

Raw Mill

Pre-Heater

Clinker Cooler

Cooler De-Dusting

Cement Mill

Cement Silos

Packing Plant

Raw Meal Silo

Clinker Silo

30. **Power Plant**

a. Contract for supply and services for 16.3 MW duel fired Power Plant was signed with Wartsila, Finland on 02 October 2007.

b. Engine has arrived at FCCL Power Plant site and its installation with accessories is under way.

c. Power Plant will be commissioned in October 2009.

Wartsila Power Plant

Acknowledgement

31. 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

32. 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
16 September 2009

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

Statement of Compliance with the Code of Corporate Governance For the Year Ended 30 June 2009

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 2008-2009 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 rea.

Rawalpindi

16 September 2009

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

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 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. 37, 36 and Chapter VIII of the Karachi, Islamabad and Lahore Stock Exchanges respectively 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 on internal control covers all risks and 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) of Listing Regulation No. 37 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 Directors 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 alternate 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 procedures 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 of Compliance 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, 2009.

KPMG Taseer Hadi & Co.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Muhammad Rehan Chughtai

ISLAMABAD
16 September 2009

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Cement Company Limited ("the Company") as at 30 June 2009 and the related profit and loss account, 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;

   (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, 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 2009 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.

ISLAMABAD
16 September 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Muhammad Rehan Chughtai

Balance Sheet as at June 30, 2009

	Note	2009 Rupees'000	2008 Rupees'000
SHARE CAPITAL AND RESERVES			
Share capital	4	**7,419,887**	7,419,887
Reserves	5	**2,270,802**	1,864,094
		9,690,689	9,283,981
NON - CURRENT LIABILITIES			
Long term financing - secured	6	**6,224,227**	325,000
Fair value of derivative	7	-	-
Deferred liability - compensated absences	8	**10,766**	9,468
Deferred tax liability - net	9	**728,154**	363,154
Retention money payable		**143,739**	18,129
Liability against shipment in transit	10	**2,020,916**	-
CURRENT LIABILITIES			
Trade and other payables	11	**1,441,825**	493,210
Markup accrued		**95,407**	33,186
Short term borrowings - secured	12	**765,778**	1,378,365
Current portion of long term financing	6	**325,000**	550,000
		2,628,010	2,454,761
		21,446,501	12,454,493

CONTINGENCIES AND COMMITMENTS 13

The annexed notes from 1 to 36 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 16 September 2009.

Chief Executive

	Note	2009 Rupees'000	2008 Rupees'000
FIXED ASSETS - Tangible			
Property, plant and equipment	14	**18,777,204**	7,106,599
LONG TERM ADVANCE	15	**6,300**	7,200
LONG TERM DEPOSITS AND PREPAYMENTS	16	**1,008,983**	46,611
CURRENT ASSETS			
Stores, spares and loose tools	17	**1,038,078**	907,591
Stock in trade	18	**137,451**	230,089
Trade debts	19	**54,641**	26,927
Advances, deposits, prepayments and other receivables	20	**247,897**	345,567
Cash and bank balances	21	**175,947**	3,783,909
		1,654,014	5,294,083
		21,446,501	12,454,493

Director

Profit and Loss Account

For the Year Ended June 30, 2009

	Note	2009 Rupees'000	2008 Rupees'000
SALES	22	**6,953,323**	4,749,217
Less: Government levies	22	**(1,638,785)**	(1,203,315)
NET SALES		**5,314,538**	3,545,902
Less: Cost of sales	23	**(3,627,110)**	(2,887,790)
GROSS PROFIT		**1,687,428**	658,112
Other income	24	**190,424**	107,574
Distribution cost	25	**(50,260)**	(53,383)
Administrative expenses	26	**(103,186)**	(76,495)
Other operating expenses	27	**(78,173)**	(34,290)
Finance cost	28	**(224,716)**	(146,954)
NET PROFIT BEFORE TAXATION		**1,421,517**	454,564
Taxation	29	**(413,894)**	(40,966)
NET PROFIT AFTER TAXATION		**1,007,623**	413,598
Earnings per share - Basic	30.1	**1.45**	0.85
Earnings per share - Diluted	30.2	**1.36**	0.77

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the Year Ended June 30, 2009

	Note	2009 Rupees'000	2008 Rupees'000
Cash flows from operating activities			
Net profit before taxation		**1,421,517**	454,564
Adjustments for:			
Depreciation		**311,749**	302,656
Provision for compensated absences		**12,833**	9,492
Reversal of provision for bad debt		**-**	(3,500)
Workers' (Profit) Participation Fund including interest and WWF		**77,841**	33,690
Finance cost		**224,388**	146,954
Gain on disposal of property, plant and equipment		**(2,479)**	(2,550)
Interest income including interest on long term deposit		**(184,750)**	(93,255)
		439,582	393,487
Operating cash flows before working capital changes		**1,861,099**	848,051
Increase in stores and stocks		**(37,849)**	(485,602)
Increase in long-term deposits and prepayments		**(66,534)**	-
Decrease in long-term advance		**900**	900
Increase in retention money		**125,610**	18,129
Increase in trade debts		**(27,714)**	(3,869)
Increase in advances, deposits, prepayments and other receivables		**(20,850)**	(185,476)
Increase in trade and other payables		**300,472**	36,128
		274,035	(619,790)
Cash generated from operations		**2,135,134**	228,261
Compensated absences paid		**(11,145)**	(8,241)
Payment to Workers' (Profit) Participation Fund		**(24,741)**	(41,483)
Taxes paid		**(103,520)**	(27,928)
Net cash generated from operating activities		**1,995,728**	150,609
Cash flows from investing activities			
Additions in property, plant and equipment excluding borrowing cost capitalized		**(5,096,237)**	(2,116,568)
Proceeds from disposal of property, plant and equipment		**4,480**	2,594
Interest received on bank deposits		**198,861**	83,504
Net cash used in investing activities		**(4,892,896)**	(2,030,470)
Cash flows from financing activities			
Repayment of long term finances		**(550,000)**	(550,000)
Proceeds from long-term loans		**1,740,000**	-
Dividend paid on ordinary shares		**(55)**	(3,632)
Dividend paid on preference shares		**(8,361)**	(8,361)
Import finances and export refinance		**(334,988)**	754,988
Payment of guarantee premium and other cost		**(990,518)**	-
Proceeds from issue of shares - net of transaction cost		**-**	5,059,174
Finance cost paid		**(289,273)**	(259,399)
Net cash (used in)/ generated from financing activities		**(433,195)**	4,992,770
(Decrease)/ increase in cash and cash equivalents		**(3,330,363)**	3,112,909
Cash and cash equivalents at beginning of the year		**3,160,532**	47,623
Cash and cash equivalents at end of the year	**31**	**(169,831)**	3,160,532

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

For the Year Ended June 30, 2009

	Share capital		Capital reserve		Revenue reserve	
			Share premium	Hedging	Accumulated	Total
	Ordinary	Preference		reserve	profit/(loss)	
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Balance as at June 30, 2007	3,707,430	486,992	-	-	(459,216)	3,735,206
Profit for the year	-	-	-	-	413,598	413,598
Effective portion of cash flow hedge	-	-	-	84,364	-	84,364
Total recognized income and expense	-	-	-	84,364	413,598	497,962
Right shares issued	3,225,465	-	-	-	-	3,225,465
Share premium on right shares (net of issue cost)	-	-	1,833,709	-	-	1,833,709
Dividend on preference shares Rs. 0.17 per share	-	-	-	-	(8,361)	(8,361)
Balance as at June 30, 2008	6,932,895	486,992	1,833,709	84,364	(53,979)	9,283,981
Profit for the year	-	-	-	-	1,007,623	1,007,623
Effective portion of changes in fair value of cash flow hedge - net	-	-	-	(584,194)	-	(584,194)
Total recognized income and expense	-	-	-	(584,194)	1,007,623	423,429
Dividend on preference shares Rs. 0.34 per share	-	-	-	-	(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

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements
For the Year Ended June 30, 2009

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. Refer note 13.2 for commitments in this regard.

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 the remeasurement of derivative hedging instruments 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 Initial adoption of a standard or an interpretation

The following standards, amendments and interpretations became effective during the current year.

IFRS-7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 18 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS-32 Financial Instruments: Disclosure and Presentation.

The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IAS-29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 18 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC-13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods and services. The application of IFRIC-13 is not likely to have an effect on the Company's financial statements.

IFRIC-14, IAS 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 2008). IFRIC-14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on Minimum Funding Requirements (MFR) for such asset. There is no effect on this interpretation on the Company's current financial statements.

2.6 Standards, interpretations and amendments

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the company's accounts except for the following:

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

IAS 27 'Consolidated and separate financial statements'(effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Company's operations.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Company's financial statements.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Company's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

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, gains and losses transferred from equity on qualifying cash flow hedges, if any 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 up to the date when the asset is disposed of.

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 operating 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. 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 and convertible preference shares outstanding during the year.

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

2009 Number '000	2008 Number '000		2009 Rupees '000	2008 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 (2008 : 951,300,813) ordinary shares of Rs. 10 each and 48,699,187 (2008 : 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
2010	33,442
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 (2008 : 186,239,020) ordinary shares and 48,699,187 (2008 : 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, 18,750,000 and 18,750,000 ordinary shares respectively of the Company at the year end.

	Note	2009 Rupees'000	2008 Rupees'000
5. RESERVES			
Capital			
Share premium		**1,833,709**	1,833,709
Hedging reserve	**5.1**	**(499,830)**	84,364
Revenue			
Accumulated profit/ (loss)		**936,923**	(53,979)
		2,270,802	1,864,094

5.1 Hedging reserve

	Note	2009 Rupees'000	2008 Rupees'000
Fair values of:			
- Foreign exchange option contracts		**-**	84,364
- Cross currency swap		**(480,221)**	-
		(480,221)	84,364
Reclassification adjustment in profit and loss account	**28**	**(19,609)**	-
		(499,830)	84,364

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

6. LONG TERM FINANCING-Secured

- Loans from banking companies-under mark up arrangements

Lender	Note	2009 Rupees'000	2008 Rupees'000	Rate of interest per annum	Outstanding installment	Interest payable
Syndicate Finance -1	6.1	**325,000**	875,000	6 month's KIBOR + 0.85%	2 semi annual installments ending 23 March , 2010	Semi annual
Syndicate Finance -2	6.2	**1,740,000**	-	6 month's KIBOR + 2%	11 semi annual installments ending 16 February , 2017	Semi annual
ABN AMRO Bank N.V.	6.3	**4,554,693**	-	6 month's LIBOR + 0.8%	14 semi annual installments ending 7 May , 2017	Semi annual
Less: Unamortized portion of transaction cost		**(70,466)**	-			
		6,549,227	875,000			
Less: Current portion shown under current liabilities		**(325,000)**	(550,000)			
		6,224,227	325,000			

6.1 This is a syndicate finance facility obtained from consortium of banks consisting of Habib Bank Limited, MCB Bank Limited, United Bank Limited, Bank Alfalah limited and NIB Bank Limited. As per the limits prescribed in the agreement the significant debt covenants to be maintained by the Company are current ratio, debt service coverage ratio, interest coverage ratio and debt to equity ratio.

6.2 The Company has entered into a syndicated term finance agreement with a 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, Soneri Bank Limited, Pak Oman Investment Company Limited, JS Bank Limited and Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited. As per the limits prescribed in the agreement the significant debt covenants to be maintained by the Company are current ratio, total liability to total equity ratio, Debt Service Coverage ratio, interest coverage ratio and debt to equity ratio.

6.3 This foreign currency loan facility is an Export Credit Agency (Euler Hermes Kreditversicherungs-AG (Hermes)) backed term finance facility obtained through ABN AMRO Bank N.V. As per the limits prescribed in the agreement at present the significant debt covenants to be maintained by the Company are interest coverage ratio and debt to equity ratio.

6.4 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 of the Company.

6.5 Undrawn facilities

Facilities undrawn at the year end were as follows:

	2009 Rupees'000	2008 Rupees'000
Foreign lenders	**2,625,550**	7,059,025
Local lenders	**1,960,000**	3,700,000
	4,585,550	10,759,025

7. FAIR VALUE OF DERIVATIVE	Note	2009 Rupees'000	2008 Rupees'000
Fair value of cross currency swap		586,348	-
Less: Current portion shown under current liabilities	11	(586,348)	-
		-	-

During the year, 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.

8. DEFERRED LIABILITY - compensated absences	2009 Rupees'000	2008 Rupees'000
Compensated absences		
Balance at beginning of the year	13,154	11,903
Add: Charge for the year	12,833	9,492
	25,987	21,395
Less: Amount paid during the year	(11,145)	(8,241)
	14,842	13,154
Less: Amount transferred to current liabilities	(4,076)	(3,686)
	10,766	9,468

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 to be immaterial.

9. DEFERRED TAX LIABILITY - Net	2009 Rupees'000	2008 Rupees'000
Deductible temporary differences		
Unused tax losses	-	(344,515)
Taxable temporary difference		
Excess of accounting book value of fixed assets over their tax base	728,154	707,669
	728,154	363,154

10. LIABILITY AGAINST SHIPMENT IN TRANSIT

This represents liability recognized against a shipment of plant and machinery of new cement manufacturing line which was in transit at the year end. This liability has been recognized pursuant to the terms of agreement with machinery supplier under which the risk and reward of machinery is transferred to the Company at the time the goods are shipped from the foreign port. The Company has a financing arrangement under which the payment to machinery supplier is made directly by the bank and the same is converted into a long term loan. Subsequent to the year end, the liability against this shipment has been settled by the bank and the same has been converted into a long term loan. (Refer note 6.3 for detail of loan).

11. TRADE AND OTHER PAYABLES

	Note	2009 Rupees'000	2008 Rupees'000
Creditors	11.1	**197,703**	65,997
Accrued liabilities		**254,185**	174,692
Retention money		**39,483**	15,517
Security deposits		**35,681**	36,916
Advances from customers		**64,503**	41,344
Current portion of fair value of cross currency swap	7	**586,348**	-
Workers' (Profit) Participation Fund	11.2	**74,952**	24,413
Workers' Welfare Fund		**27,923**	25,362
Excise duty payable		**75,296**	57,629
Other liabilities		**62,678**	36,962
Compensated absences		**4,076**	3,686
Dividend payable on preference shares		**16,721**	8,361
Unclaimed dividend		**2,276**	2,331
		1,441,825	493,210

11.1 This includes an amount of Rs. 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.

11.2 Workers' (Profit) Participation Fund (WPPF)

	2009 Rupees'000	2008 Rupees'000
Balance at beginning of the year	**24,413**	41,483
Interest on funds utilised in the Company's business	**328**	-
Allocation for the year	**74,952**	24,413
Payment to the fund during the year	**(24,741)**	(41,483)
	74,952	24,413
Allocation for the year is made up as follows:		
Profit for the year before tax, WPPF and WWF	**1,499,030**	488,254
Charge for the year at the rate of 5%	**74,952**	24,413

	Note	2009 Rupees'000	2008 Rupees'000
12. SHORT TERM BORROWINGS - secured			
Import finances		**-**	754,988
Running finance	12.1	**345,778**	623,377
Export refinance	12.1	**420,000**	-
		765,778	1,378,365

12.1 The Company has running finance and export refinance limits to the tune of Rs. 1,620 million (June 2008: Rs. 1,500 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 7.5% 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 the 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 courts 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 has also given his recommendations on July 8, 2009. The supplier now has to file these recommendations in the court of law for getting court decree within 90 days from the above referred date. No liability has been accounted for as the management is confident that the case will ultimately be decided in favour of the Company.

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. However, subsequent to the year-end on 27 August 2009 , CCP has imposed a penalty of Rs. 266 million on the Company. The cement manufacturers (including the Company) has challenged the CCP order in High Court (Court) and the Court has passed an order restraining CCP from taking any adverse action against the Company until the listing of case for hearing on September 29, 2009 .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 (2008: Rs. 270 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 29.1

13.2 Commitments

a) Contracted capital commitments of Rs. 1,495 million (2008: 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. 3,616 million (2008: Rs. 7,541 million). This includes letters of credit aggregating Rs. 3,203 million (2008: 7,541 million) for import of new cement manufacturing line and also includes the letter of credit equivalent to Rs 2,021 million (2008: nil) against which the plant and machinery was in transit at year end.

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 2007	141,246	1,466,388	5,010,948	6,440	27,272	70,359	8,124	68,745	27,855	132,808	6,960,185
Additions during the year	-	1,570	12,644	1,780	3,109	1,193	186	17,131	-	2,979,236	3,016,849
Disposals	-	-	-	-	-	-	-	(3,045)	-	-	(3,045)
Transfers	-	15,746	129,975	-	-	219	-	16,199	-	(162,139)	-
Balance as at 30 June 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
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
Depreciation											
Balance as at 01 July 2007	-	577,851	1,845,470	4,161	9,215	61,324	6,127	36,786	26,801	-	2,567,735
Depreciation charge for the year	-	58,483	217,926	711	7,945	2,754	541	13,242	1,054	-	302,656
On disposals	-	-	-	-	-	-	-	(3,001)	-	-	(3,001)
Balance as at 30 June 2008	-	636,334	2,063,396	4,872	17,160	64,078	6,668	47,027	27,855	-	2,867,390
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
Carrying amounts - 2008	141,246	847,370	3,090,171	3,348	13,221	7,693	1,642	52,003	-	2,949,905	7,106,599
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
Rates of depreciation	-	4%	4%	15%	33.33%	10%-15%	15%	25%	10%		

		Note	2009 Rupees'000	2008 Rupees'000
14.1	**Capital work in progress**			
	Breakup of capital work in progress is as follows:			
	Existing project:			
	Plant and machinery		**-**	169,136
	Civil works		**3,566**	5,199
	Directly attributable expenditure		**-**	1,752
	Advances		**14,235**	-
			17,801	176,087
	Expansion project:			
	Advances	14.1.1	**325,876**	1,389,199
	Plant and machinery		**9,453,092**	457,209
	Civil works		**4,228,191**	795,389
	Directly attributable expenditure	14.1.2	**513,107**	132,021
			14,520,266	2,773,818
			14,538,067	2,949,905
14.1.1	**Advances**			
	Advances for civil works		**239,630**	407,109
	Advances for plant and machinery		**86,246**	982,090
			325,876	1,389,199
14.1.2	**Directly attributable expenditure**			
	Salaries, wages and other benefits		**36,984**	16,032
	Borrowing cost	14.1.3	**429,419**	97,301
	Professional charges		**21,980**	9,946
	Others		**24,724**	8,742
			513,107	132,021

14.1.3 Borrowing cost has been capitalized at a capitalization rate of 15.17 % (2008:10.7 %) per annum.

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

	2009	2008
Cost of sales	**297,109**	290,477
Distribution cost	**5,145**	2,704
Administrative expenses	**9,495**	9,475
	311,749	302,656

14.3 Detail of disposals during the year is as follows:

	Original cost	Book value	Sale proceeds	Gain/(loss)	Mode of disposal
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	
Motor vehicle	1,563	1,433	373	(1,060)	As per Company's policy to employee
Motor vehicle	624	-	50	50	-do-
Motor vehicle	623	-	50	50	-do-
Motor vehicle	615	192	576	384	Auction
Motor vehicle	605	122	422	300	-do-
Motor vehicle	610	254	680	426	-do-
Motor vehicle	560	-	476	476	-do-
Motor vehicle	26	-	228	228	-do-
Motor vehicle	601	-	450	450	-do-
Motor vehicle	554	-	374	374	-do-
Motor vehicle	564	-	383	383	-do-
Motor vehicle	595	-	418	418	-do-
2009	**7,540**	**2,001**	**4,480**	**2,479**	
2008	3,045	44	2,594	2,550	

	Note	2009 Rupees'000	2008 Rupees'000
15. LONG TERM ADVANCE - Considered good			
Sui Northern Gas Pipelines Limited	15.1	**7,200**	8,100
Less: Amount receivable within 12 months shown under current assets		**(900)**	(900)
		6,300	7,200

15.1 This represents long term advance for construction of gas pipeline. It is repayable annually in equal installments over 8 years and carries mark-up @ 1.5% per annum.

16. LONG TERM DEPOSITS AND PREPAYMENTS	Note	2009 Rupees'000	2008 Rupees'000
Islamabad Electric Supply Company Limited		**61,592**	21,600
Sui Northern Gas Pipelines Limited		**25,011**	25,011
Prepaid insurance		**26,542**	-
Prepaid guarantee fee	16.1	**895,838**	-
		1,008,983	46,611

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.

		Note	2009 Rupees'000	2008 Rupees'000
17.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores (Including items in transit of Rs. 0.139 million (2008: 2.46 million)		**473,757**	415,358
	Spares (Including items in transit of Rs. 54.6 million (2008: Rs. 64.82 million)	17.1	**550,667**	478,579
	Loose tools		**13,654**	13,654
			1,038,078	907,591

17.1 This includes spares stated at net realizable value of Rs. 4.89 million (2008 : Rs 4.89 million).

			2009	2008
18.	**STOCK IN TRADE**			
	Raw and packing material		**45,714**	31,271
	Work in process		**41,405**	152,529
	Finished goods		**50,332**	46,289
			137,451	230,089
19.	**TRADE DEBTS**			
	Unsecured			
	Considered good		**42,848**	-
	Considered doubtful		**4,848**	4,848
			47,696	4,848
	Secured considered good		**11,793**	26,927
	Less: Provision for doubtful debts		**(4,848)**	(4,848)
			54,641	26,927
20.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
		Note		
	Advances - Considered good			
	To suppliers		**33,964**	15,521
	To employees		**608**	2,473
	Due from associated undertaking -unsecured	20.1	**1,887**	539
	Current portion of long term advance		**900**	900
	Deposits		**16,178**	5,737
	Prepayments		**3,184**	3,966
	Advance tax-net		**77,927**	23,302
	Sales tax refundable -net		**67,064**	82,719
	Derivative foreign currency options used as hedging instrument		**-**	84,364
	Interest accrued		**717**	14,828
	Prepaid arrangement fee for loans		**-**	74,670
	Margin on letters of credit		**772**	29,369
	Other receivables- Considered good		**25,629**	7,179
	Margin on letter of guarantee		**19,067**	-
			247,897	345,567

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. CASH AND BANK BALANCES

	Note	2009 Rupees'000	2008 Rupees'000
Cash at banks			
Deposit accounts	21.1 & 21.2	**133,100**	3,756,611
Current accounts		**42,532**	27,039
		175,632	3,783,650
Cash in hand		**315**	259
		175,947	3,783,909

21.1 Balances with banks include Rs. 35.681 million (2008 : Rs. 36.916 million) in respect of security deposits received.

21.2 Deposits of Rs. 4 million (2008 : Rs. 4 million) with banks are under lien for letters of guarantee issued on behalf of the Company.

22. SALES - Net

		2009 Rupees'000	2008 Rupees'000
Sales	- Local	**5,762,299**	3,889,630
	- Export	**1,191,024**	859,587
		6,953,323	4,749,217
Less:	Sales tax	**801,636**	510,010
	Excise duty	**833,921**	691,165
	Export development surcharge	**3,228**	2,140
		1,638,785	1,203,315
		5,314,538	3,545,902

		Note	2009 Rupees'000	2008 Rupees'000
23.	**COST OF SALES**			
	Raw materials consumed:			
	Opening stock		**10,696**	4,567
	Purchases		**255,069**	233,542
	Closing stock		**(11,324)**	(10,696)
			254,441	227,413
	Packing material consumed		**345,148**	281,916
	Stores and spares consumed		**17,923**	10,914
	Salaries, wages and benefits (including retirement benefits of Rs. 13.308 million (2008 : Rs. 11.239 million)		**196,081**	133,451
	Rent, rates and taxes		**6,513**	5,284
	Insurance		**16,194**	12,221
	Fuel consumed		**1,773,556**	1,441,919
	Power consumed		**604,701**	451,419
	Depreciation	14.2	**297,109**	290,477
	Repairs and maintenance		**80,785**	70,250
	Technical assistance		**1,509**	1,314
	Vehicle running and maintenance expenses		**9,201**	6,938
	Printing and stationery		**1,129**	864
	Travelling and conveyance		**2,989**	2,412
	Communication, establishment and other expenses		**4,469**	3,952
			3,611,748	2,940,744
	Add: Opening work-in-process		**152,529**	115,221
	Less: Closing work-in-process		**(41,405)**	(152,529)
	Cost of goods manufactured		**3,722,872**	2,903,436
	Add: Opening finished goods		**46,289**	44,157
	Less: Closing finished goods		**(50,332)**	(46,289)
			3,718,829	2,901,304
	Less: Own consumption capitalized		**(91,719)**	(13,514)
			3,627,110	2,887,790
24.	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank deposits		**184,667**	93,133
	Others		**-**	6,928
	Interest on long term advance		**83**	122
			184,750	100,183
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		**2,479**	2,550
	Others		**3,195**	4,841
			190,424	107,574

25. DISTRIBUTION COST

	Note	2009 Rupees'000	2008 Rupees'000
Salaries, wages and benefits (including retirement benefits of Rs. 2.035 million (2008 : Rs. 2.567 million)		**25,184**	18,791
Export freight and other charges		**8,758**	24,482
Travelling and entertainment		**703**	1,127
Vehicle running and maintenance expenses		**1,864**	1,641
Rent, rates and taxes		**1,630**	1,468
Repairs and maintenance		**215**	288
Printing and stationery		**752**	545
Depreciation	14.2	**5,145**	2,704
Communication, establishment and other expenses		**3,200**	3,242
Advertisement and sale promotion expenses		**2,430**	2,207
Reversal of provision for doubtful debts		**-**	(3,500)
Insurance		**379**	388
		50,260	53,383

26. ADMINISTRATIVE EXPENSES

	Note	2009 Rupees'000	2008 Rupees'000
Salaries, wages and benefits (including retirement benefits Rs. 5.082 million (2008: Rs. 2.008 million)		**61,591**	41,153
Travelling and entertainment		**3,236**	7,483
Vehicle running and maintenance expenses		**3,761**	2,145
Insurance		**738**	602
Rent, rates and taxes		**6,837**	6,465
Repairs and maintenance		**587**	590
Printing and stationery		**2,973**	1,318
Communication, establishment and other expenses		**5,591**	5,329
Legal and professional charges		**3,171**	1,935
Depreciation	14.2	**9,495**	9,475
Donations	26.1	**5,206**	-
		103,186	76,495

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

	Note	2009 Rupees'000	2008 Rupees'000
27. OTHER OPERATING EXPENSES			
Auditors' remuneration:			
Annual audit		**430**	375
Half yearly review		**125**	125
Out of pocket expenses		**25**	50
Other certifications		**80**	50
		660	600
Workers' (Profit) Participation Fund	11.2	**74,952**	24,413
Workers' Welfare Fund		**2,561**	9,277
		78,173	34,290
28. FINANCE COST			
Fee and charges on loans		**500**	500
Interest/mark-up on long term finance		**82,672**	129,928
Interest on short term borrowings and other charges		**135,563**	11,609
Interest on Workers' Profit Participation Fund		**328**	-
Guarantee commission		**673**	665
Bank charges and commission		**4,980**	4,252
Exchange loss on revaluation of foreign currency loan		**19,609**	-
Reclassification adjustment from equity on revaluation of loan	5.1	**(19,609)**	-
		-	-
		224,716	146,954
29. TAXATION			
Current		**48,894**	17,730
Deferred		**365,000**	23,236
		413,894	40,966

	2009	2008
Accounting profit for the year (Rupees '000)	**1,421,517**	454,564
Applicable tax rate	**35%**	35%
Income tax at applicable rate (Rupees '000)	**497,531**	159,097
Tax effect of change in proportion of export sales to local sales on temporary differences (Rupees '000)	**-**	(106,216)
Tax effect of low rates on certain income (Rupees '000)	**(83,820)**	(29,693)
Minimum tax under section 113 of the Ordinance (Rupees '000)	**-**	9,156
Tax effect on permanent differences (Rupees '000)	**337**	-
Tax credits (Rupees '000)	**(154)**	-
Others (Rupees '000)	**-**	8,622
	413,894	40,966

29.1 Assessments of the Company up to 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 aggregating to Rs. 19.3 million. 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 Appellate Tribunal .

Tax returns filed by the Company for Tax Years 2003 to 2008 (years ended 30 June 2003 to 2008) 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 date of assessment.

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

30. EARNINGS PER SHARE

	2009	2008
30.1 Basic		
Profit after taxation (Rupees '000)	**1,007,623**	413,598
Weighted average number of ordinary shares outstanding during the year (Numbers '000)	**693,289**	489,456
Earnings per share -basic (Rupees)	**1.45**	0.85
30.2 Diluted		
Profit after taxation (Rupees '000)	**1,007,623**	413,598
Weighted average number of ordinary shares and convertible preference shares outstanding during the year (Numbers '000)	**741,988**	538,468
Earnings per share -diluted (Rupees)	**1.36**	0.77

31. CASH AND CASH EQUIVALENTS

	2009 Rupees'000	2008 Rupees'000
Cash and bank balances	**175,947**	3,783,909
Running finances	**(345,778)**	(623,377)
	(169,831)	3,160,532

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Managing Director		Executives	
	2009 Rupees'000	2008 Rupees'000	**2009 Rupees'000**	2008 Rupees'000
Managerial remuneration	**3,448**	3,434	**34,283**	31,884
Provident fund	**206**	170	**1,403**	939
Compensated absences	**372**	309	**1,853**	874
Utilities and upkeep	**1,012**	906	**1,426**	1,544
	5,038	4,819	**38,965**	35,241
No of persons	**2**	2	**25**	20

32.1 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.

32.2 Meeting fee of directors charged during the year was Rs. 0.460 million (2008 : Rs. 0.323 million), number of directors: 8 (2008 : 8).

33. 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.

33.1 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 and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2009 Rupees '000	2008 Rupees '000
Long term advance	**7,200**	8,100
Long term deposit	**86,603**	46,611
Trade debts - net of provision	**54,641**	26,927
Deposits	**16,178**	5,737
Interest accrued	**717**	14,828
Other receivables	**25,629**	7,179
Margin on letters of guarantee	**19,067**	-
Cash and bank balances	**175,947**	3,783,909
	385,982	3,893,291

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.22.3 million (2008: Rs. nil) is outstanding and which is included in total carrying amount as at 30 June 2009.

Trade debts are secured against letter of guarantee, letter of credit 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 2009 Rupees '000	**Impairment 2009 Rupees '000**	Gross 2008 Rupees '000	Impairment 2008 Rupees '000
Not past due	**3,067**	-	2,474	-
Past due 1-30 days	**49,233**	**-**	10,937	-
Past due 31-60 days	**520**	**-**	13,516	-
Past due 61-90 days	**1,821**	**-**	-	-
Over 90 days	**4,848**	**4,848**	4,848	4,848
	59,489	**4,848**	31,775	4,848

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

	2009 Rupees '000	2008 Rupees '000
Balance at 1 July	**4,848**	8,348
Impairment loss reversed	**-**	(3,500)
Balance at 30 June	**4,848**	4,848

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts not past due and less than 90 days.

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.

33.2 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:

2009	Carrying amount Rupees '000	Contractual cash flows Rupees '000	Six months or less Rupees '000	Six to twelve months Rupees '000	One to two years Rupees '000	Two to five years Rupees '000	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
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)

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.

2008	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	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Non Derivative Financial Liabilities							
Long term loans	875,000	(1,017,249)	(324,491)	(319,333)	(373,425)	-	-
Retention money	18,129	(18,129)	-	-	-	(18,129)	-
Trade and other payables	448,180	(448,180)	(448,180)	-	-	-	-
Interest and mark-up accrued	33,186	(33,186)	(33,186)	-	-	-	-
Short term borrowings	1,378,365	(1,573,956)	(1,573,956)	-	-	-	-
	2,752,860	(3,090,700)	(2,379,813)	(319,333)	(373,425)	(18,129)	-

33.2.1 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 6 and 12 to these financial statements.

33.3 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.

33.3.1 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:

	2009		2008	
	Rupees '000	**US Dollar '000**	Rupees '000	US Dollar '000
Long term loan	**4,554,693**	**56,023**	-	-

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date**	
	2009	2008	**2009**	2008
US Dollars	**80**	65	**81.30**	68.54

Sensitivity

The Compay 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.

33.3.2 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	
	2009	2008
	Rupees '000	Rupees '000
Fixed rate instruments		
Financial assets	**140,300**	3,897,811
Variable rate instruments		
Financial liabilities	**7,315,005**	2,253,365

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/ 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 2008.

	Profit or loss		Equity	
Effect in Rupees thousands	**100 basis points increase**	**100 basis points decrease**	**10 percent increase**	**10 percent decrease**
	Rupees '000	**Rupees '000**	**Rupees '000**	**Rupees '000**
Cash flow sensitivity (net)				
Variable rate instruments	(931)	931	-	-
Cross currency swap	-	-	(160,519)	160,519
30 June 2009	(931)	931	(160,519)	160,519
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Variable rate instruments	(2,348)	2,348	-	-
30 June 2008	(2,348)	2,348	-	-

33.4 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

33.5 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.

34. 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 the Chief Executive and executives is disclosed in note 32 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:

	2009	2008
	Rupees'000	Rupees'000
Transactions with associated undertakings/companies due to common directorship		
- Sale of cement	**13,308**	10,693
- Payment for use of medical facilities	**84**	22
- Payment on account of clearance of shipments	**30,600**	17,700
- Preference dividend paid	**8,361**	8,361
- Proceeds from issue of right shares	**-**	2,363,341
- Payment made by Fauji Foundation on the Company's behalf	**50,000**	-
Employees Funds		
- Payments made into the fund	**8,243**	6,233

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
	Metric Tons	Metric Tons
Current installed capacity	**1,165,500**	1,165,500
Actual production	**1,183,684**	1,174,722

36. GENERAL

36.1 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs. 354.5 million and Rs. 4,142 million (2008: Rs. 354.50 million and Rs. 6,950 million) respectively are available to the Company. Letters of guarantee 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.

36.2 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 2009

No. of Shareholders	From	To	Total Number of Shares
74	1	100	2306
1314	101	500	646458
2159	501	1000	2151324
3760	1001	5000	11512008
1236	5001	10000	10406366
408	10001	15000	5326237
323	15001	20000	6110135
217	20001	25000	5238469
133	25001	30000	3829678
58	30001	35000	1922850
57	35001	40000	2212690
33	40001	45000	1418353
105	45001	50000	5179577
29	50001	55000	1547355
33	55001	60000	1925488
15	60001	65000	947810
17	65001	70000	1171650
14	70001	75000	1036740
7	75001	80000	549498
11	80001	85000	914876
14	85001	90000	1243649
8	90001	95000	753800
54	95001	100000	5391500
10	100001	105000	1032285
11	105001	110000	1196775
4	110001	115000	452700
3	115001	120000	352440
13	120001	125000	1604648
9	125001	130000	1158745
3	130001	135000	403000
3	135001	140000	418427
5	140001	145000	711750
5	145001	150000	748500
3	150001	155000	462790
3	155001	160000	476000
1	160001	165000	163000
4	165001	170000	667110
5	170001	175000	863969
5	175001	180000	897725
3	180001	185000	551390

3	185001	190000	564000
2	190001	195000	382250
14	195001	200000	2799438
2	205001	210000	419000
3	210001	215000	638500
2	215001	220000	434650
2	220001	225000	449400
1	240001	245000	243100
3	245001	250000	741850
1	255001	260000	256020
3	260001	265000	787578
2	270001	275000	546500
1	275001	280000	276655
2	280001	285000	566194
1	285001	290000	286000
1	290001	295000	294500
2	295001	300000	596500
1	300001	305000	305000
3	310001	315000	939500
1	320001	325000	321500
2	325001	330000	655001
1	330001	335000	331384
1	345001	350000	348000
2	355001	360000	715555
3	370001	375000	1118435
1	385001	390000	386440
1	390001	395000	394000
4	395001	400000	1600000
1	410001	415000	415000
1	420001	425000	420750
1	425001	430000	430000
1	440001	445000	444500
3	445001	450000	1350000
1	455001	460000	458841
2	480001	485000	964500
2	495001	500000	1000000
1	515001	520000	517000
1	520001	525000	523600
2	595001	600000	1200000
1	615001	620000	619500
1	625001	630000	630000
1	690001	695000	695000
1	695001	700000	700000
1	700001	705000	701865
1	715001	720000	715100
1	785001	790000	788500
1	790001	795000	790510

1	795001	800000	800000
1	805001	810000	805950
2	895001	900000	1800000
1	970001	975000	973400
1	995001	1000000	1000000
1	1000001	1005000	1002500
1	1095001	1100000	1100000
1	1145001	1150000	1150000
1	1435001	1440000	1440000
1	1455001	1460000	1459500
2	1475001	1480000	2958750
1	1510001	1515000	1511500
1	1685001	1690000	1687500
1	1695001	1700000	1700000
1	1760001	1765000	1760562
1	1795001	1800000	1800000
1	1960001	1965000	1963000
2	1995001	2000000	4000000
1	2760001	2765000	2763000
1	2995001	3000000	3000000
1	3595001	3600000	3600000
1	5285001	5290000	5289700
1	6865001	6870000	6869500
1	6925001	6930000	6925705
1	7015001	7020000	7019000
1	9995001	10000000	10000000
1	12670001	12675000	12675000
2	18500001	18505000	37500000
1	48695001	48700000	48699187
1	56305001	56310000	56309000
1	93745001	93750000	93750000
1	116665001	116670000	116669975
1	186235001	186240000	186239020
10301			**741, 988,686**

Categories of Shareholders as on 30 June 2009	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 Arif Rasul Qureshi (Retd)	1	
Brig Rahat Khan (Retd)	1	
Dr. Nadeem Inayat	1	
Brig Liaqat Ali (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
NIT and ICP	331,384	0.0447
Banks, Development Finance Institution, Non Banking Finance Institutions	142,015,830	19.1399
Insurance Companies	3,169,977	0.4272
Mudarabas and Mutual Funds	837,900	0.1129
General Public		
Local	128,399,229	17.3047
Foreign	-	-
Others (Local)		
Investment Companies	12,000	0.0016
Joint Stock Companies	86,013,444	11.5923
Foreign		
Industrialization Fund for Developing Countries (IFU)	5,289,700	0.7129
Others	8,731,008	1.1767
Total Shares held	**741,988,686**	**100.0000**

Share holders holding 10% and above	Shares held	Percentage
Fauji Foundation	235,938,207	31.7981
Fauji Fertilizer Company Limited	93,750,000	12.6350
United Bank Limited	116,669,975	15.7240
Total	446,358,182	60.1570

Form of Proxy - 17th 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 **17th Annual General Meeting** of the Company to be held on Tuesday, **27 October 2009** and at any adjournment thereof.

As witness my/our hand/seal this ____________________ day of__________________2009.

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